Boustead Holdings Berhad 196001000193 (3871-H)
(A member of LTAT Group)

PERSEVERANCE AMIDST CHALLENGES

ANNUAL REPORT 2019

Annual Report 2019

Sustainability Report 2019

Cover Rationale

We remain steadfast and resilient as we face challenges in the current market landscape. With hard work, determination and the right mindset, we will continue to strengthen and persevere in times of adversity to emerge stronger. By working hard on improving efficiencies, building on organic growth and unlocking opportunities for new investments, we will continue to stay the course and deliver sustainable results and value from our core business areas.

Please scan the QR code for 2019 Annual Report

Please scan the QR code for 2019 Sustainability Report

58th Annual General Meeting

Refer to pages 286 to 296 for Annual General Meeting Information

WHERE Mutiara 5, Ground Floor
Royale Chulan Damansara
2, Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor

WHEN 22 July 2020

TIME 9.30 a.m.

WHAT'S INSIDE

PG.40
CHAIRMAN'S STATEMENT

ABOUT BOUSTEAD GROUP

LEADERSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

PG.68

HEAVY INDUSTRIES DIVISION

PG.58

PROPERTY DIVISION

PG.72

FINANCE & INVESTMENT DIVISION

PG.52

PLANTATION DIVISION

PG.62

PHARMACEUTICAL DIVISION

PG.76

TRADING & INDUSTRIAL DIVISION

GOVERNANCE

FINANCIAL STATEMENTS

SHAREHOLDERS' INFORMATION

OVERVIEW OF BOUSTEAD HOLDINGS BERHAD

CORPORATE VISION

To hold strong to our tradition of delivering solid and stable growth while nurturing talent that will bring about a higher level of excellence in all endeavours that the Boustead Group undertakes.

CORPORATE MISSION

To place the interest of our shareholders as the highest priority by maximising shareholder value.

To acknowledge our employees as our most valuable assets.

To continue development of our human resources to retain a competitive edge in the industry.

To accept the importance of our clients by providing products and services of the highest quality.

To enhance our global position while proudly representing Malaysia.

GROUP MOTTO

'A TRADITION OF STRENGTH AND STABILITY, A VISION OF GROWTH AND EXCELLENCE'.

WHO WE ARE

Boustead Holdings Berhad traces its roots back to 1828. The Group has evolved from its modest beginnings to become a diverse Malaysian conglomerate, now operating in six core areas of the Malaysian economy, which are: plantation, property, pharmaceutical, heavy industries, finance & investment and trading & industrial.

The Group employs over 18,000 individuals across its listed and non-listed operations. As at 31 December 2019, Boustead's total assets stood at RM17.0 billion while shareholders' funds amounted to RM3.7 billion.

PHILOSOPHIES

- To constantly develop organisational policies and corporate systems to fulfil the needs of dynamic business environments.
- To continuously improve customer satisfaction by enhancing human resource development strategies and managing resources efficiently as well as practise a positive corporate culture.
- To hold firm to a balanced management style of being prudent in seizing business opportunities that enhance shareholder value.
- To maintain a corporate governance culture that advocates best practices in business.
- To embrace diversity and entrepreneurship in our daily dealings.

CORE VALUES

RESPECT
DIGNITY. TRUST. FAIR. OPEN. HONOUR

What it means to us;

We believe in the inherent worth of people and will honour relationships with our fellow employees, our customers, our shareholders, our stakeholders and our community.

We measure respect for people by the way we treat each other, by the contributions that flow from our diversity, by the productivity of our relationships, and by a job well done, no matter what the job is.

INTEGRITY
HONEST. TRUTHFUL. CONSCIENCE. SINCERE. ACCOUNTABILITY

What it means to us;

We adopt open and honest attitudes in all aspects.

We adhere to all sets of rules, regulations and guidelines.

We perform to our best ability at a very high standard whilst continuously improving the quality of our products and services.

TEAMWORK
UNITY. HARMONY. CO-OPERATION. COMMITMENT. COLLABORATION

What it means to us;

We collaborate and work co-operatively across cultures and organisational boundaries to achieve shared goals and work towards solutions which generally benefit all parties involved.

We share our beliefs and agree to a common cause to show our commitment to each other's well being.

EXCELLENCE
PROFESSIONAL. COURAGE. PRIDE. PROACTIVE. COMPETITIVE

What it means to us;

We uphold our commitment to operate competitively, strive to acquire the relevant knowledge and skills and benchmark ourselves against world-class leaders in our efforts towards continuous improvement.

We demonstrate flexibility as well as courage, highlighting our ability to keep ourselves aligned with a world in motion.

WHAT WE DO

BUSINESS UNITS & HIGHLIGHTS

Plantation Division

Boustead Holdings Berhad's Plantation Division possesses decades of experience in managing plantations across Peninsular Malaysia, as well as Sabah and Sarawak. As one of the key players within Malaysia's palm oil industry, the Division fully supports sustainable practices as part of its operations.

Property Division

The Property Division is involved in four key activities within the property industry, which are property development, property investment, hotel operations and project management. The Division has built a formidable portfolio of key assets including a hotel chain, award-winning townships, retail establishments as well as commercial and residential developments.

Pharmaceutical Division

The Pharmaceutical Division caters to the pharmaceutical and healthcare industries with its range of offerings that include manufacturing of generic pharmaceuticals and medical devices, logistics and distribution, sales and marketing, distribution of medical products and hospital equipment in addition to retail pharmacy.

Heavy Industries Division

The Heavy Industries Division's participation in the maritime and aerospace sectors involves the provision of various products and services including naval shipbuilding, maintenance, repair and overhaul services, fabrication for the oil and gas industry as well as aviation support services.

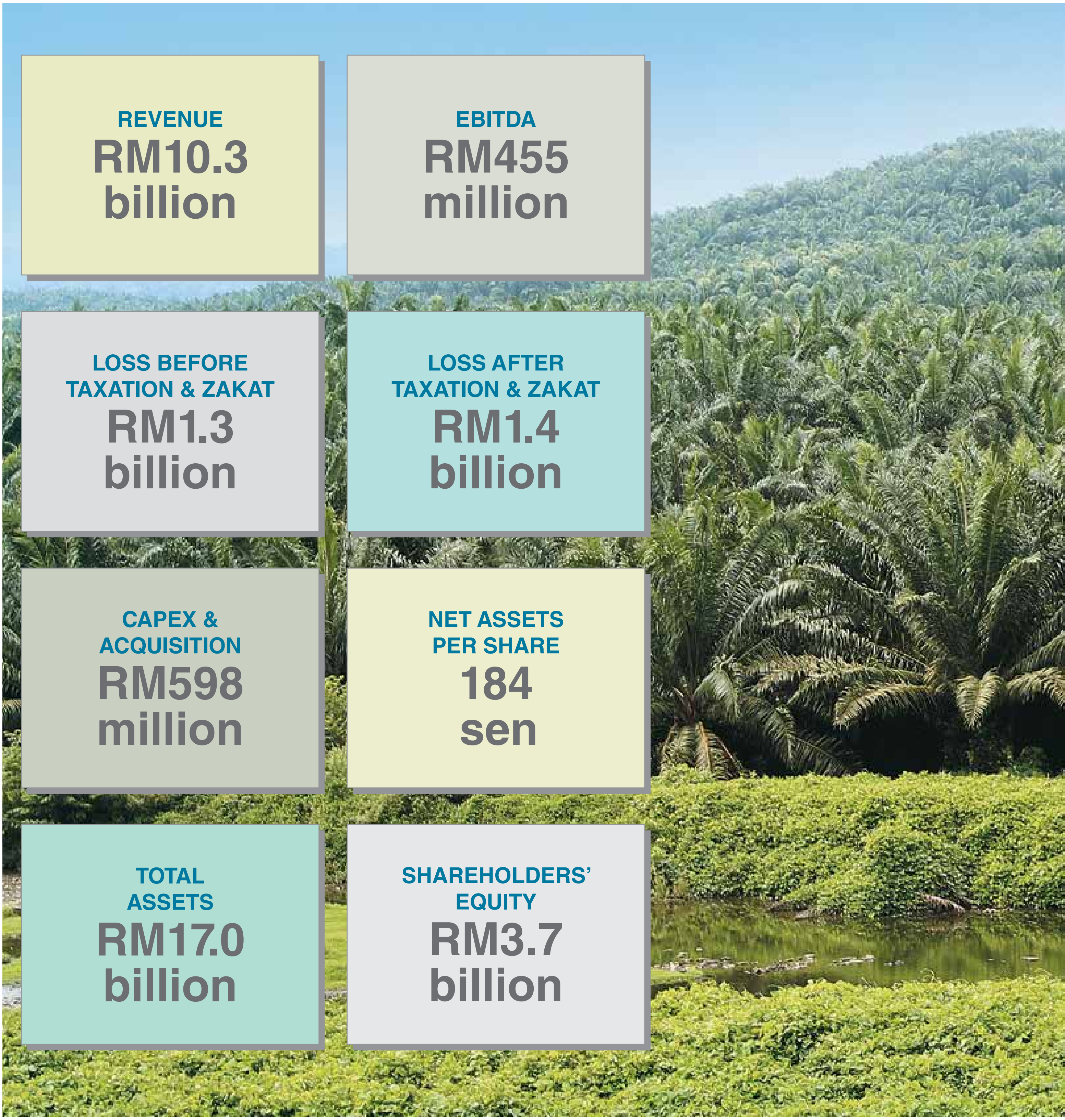
Finance & Investment Division

The Finance & Investment Division is involved in financial services, education, travel and tourism. The Division's financial services business is driven by AFFIN Bank which provides financial solutions encompassing investment banking, consumer banking, Islamic banking, finance as well as insurance.

Trading & Industrial Division

The Trading & Industrial Division's key business venture is owning and operating Malaysia's only other home-grown retail petroleum network. The Division also participates in the distribution of building materials and provision of project management expertise for the construction industry.

FACTS AT A GLANCE



REVENUE
RM10.3 billion

EBITDA
RM455 million

LOSS BEFORE TAXATION & ZAKAT
RM1.3 billion

LOSS AFTER TAXATION & ZAKAT
RM1.4 billion

CAPEX & ACQUISITION
RM598 million

NET ASSETS PER SHARE
184 sen

TOTAL ASSETS
RM17.0 billion

SHAREHOLDERS' EQUITY
RM3.7 billion

FINANCIAL CALENDAR

FINANCIAL YEAR
1 January to 31 December 2019

RESULTS

1st quarter
Announced 30 May 2019

2nd quarter
Announced 28 August 2019

3rd quarter
Announced 29 November 2019

4th quarter
Announced 28 February 2020

ANNUAL REPORT
Issued
24 June 2020

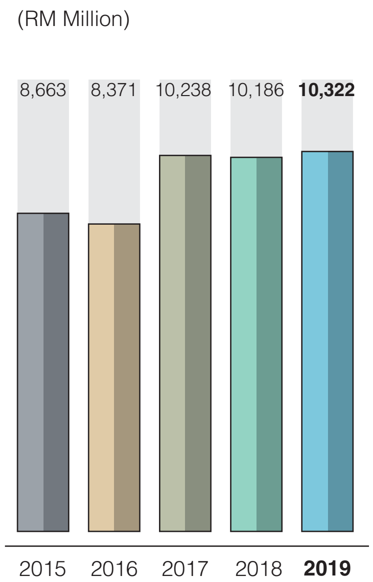
ANNUAL GENERAL MEETING
To be held
22 July 2020

FIVE-YEAR FINANCIAL HIGHLIGHTS

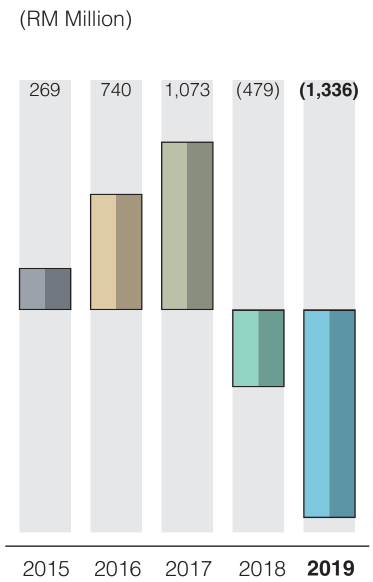
		2019	2018	2017	2016	2015
FINANCIAL PERFORMANCE						
Revenue		**10,322**	10,186	10,238	8,371	8,663
(Loss)/profit before taxation and zakat		**(1,336)**	(479)	1,073	740	269
(Loss)/profit after taxation and zakat		**(1,386)**	(554)	875	589	139
(Loss)/profit attributable to shareholders		**(1,279)**	(535)	436	369	13
(Loss)/earnings per share	sen	**(63.1)**	(26.4)	21.5	20.0	0.8
Return on equity	%	**(29.3)**	(9.9)	7.2	7.0	0.3
Return on assets	%	**(5.6)**	(1.3)	7.0	5.8	3.3
Return on revenue	%	**1.7**	(0.3)	12.1	7.0	4.3
DIVIDENDS						
Dividend for the year		**–**	101	223	305	207
Net dividend per share	sen	**–**	5.0	11.0	17.5	20.0
Dividend yield	%	**–**	3.5	2.9	6.6	4.7
Dividend cover	times	**–**	(5.3)	2.0	1.2	–
GEARING						
Borrowings		**7,910**	7,533	6,184	7,317	8,034
Gearing	times	**1.4**	1.0	0.7	0.9	1.1
Interest cover	times	**(2.8)**	(1.0)	6.0	3.5	1.9
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	**184**	246	305	295	439
Share price – high	sen	**160**	292	307	271	475
Share price – low	sen	**93**	136	241	186	380
Price earning ratio times		**(2)**	(5)	13	13	–
Paid up share capital		**2,736**	2,736	2,736	1,014	517
Shareholders' equity		**3,729**	4,995	6,182	5,985	4,543
Total equity		**5,688**	7,804	9,243	8,875	7,358
Total assets		**16,975**	18,417	18,263	18,530	17,620

Notes:
- All figures are in RM million unless otherwise stated.
- The financial information relating to 2019, 2018 and 2017 are in accordance with the Malaysian Financial Reporting Standard (MFRS) Framework.
- The financial information relating to 2016 and 2015 are in accordance with the Financial Reporting Standard (FRS) Framework.

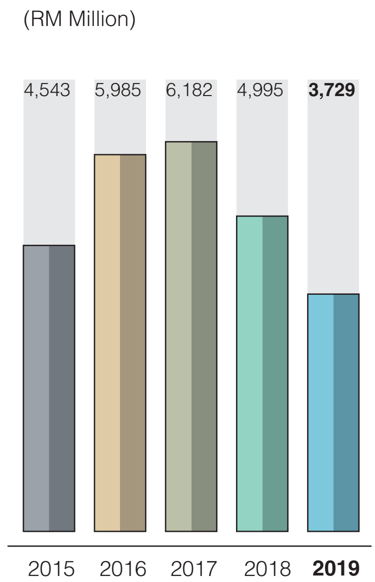
REVENUE



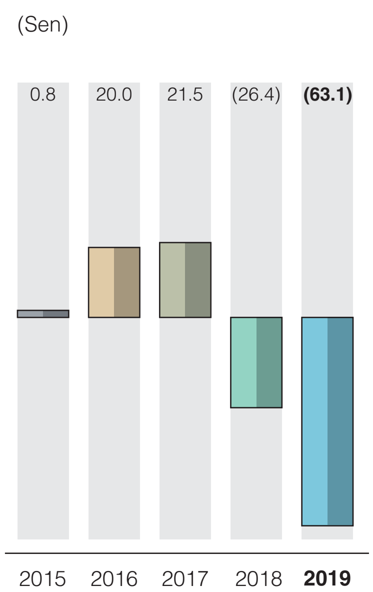
PROFIT/(LOSS) BEFORE TAXATION AND ZAKAT



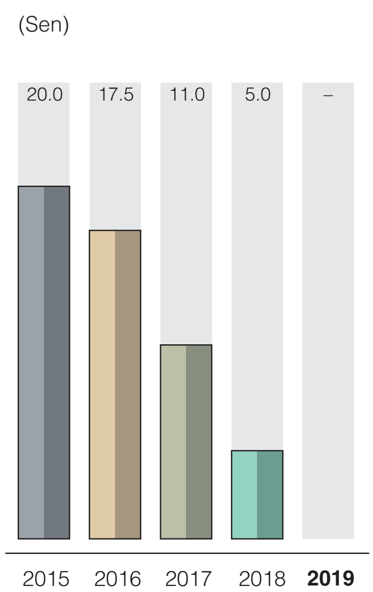
SHAREHOLDERS' EQUITY



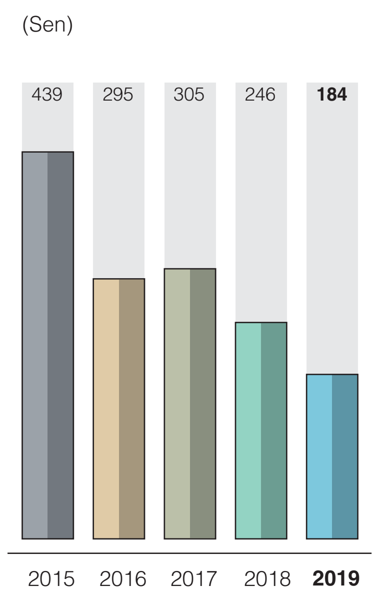
EARNINGS/(LOSS) PER SHARE



DIVIDEND PER SHARE



NET ASSETS PER SHARE



CORPORATE INFORMATION

DIRECTORS

Dato' Seri Mohamed Khaled Nordin
Chairman
Non-Independent Non-Executive Director
Appointed with effect from (w.e.f.) 1 May 2020

Datuk Zainun Aishah Ahmad
Senior Independent
Non-Executive Director
Appointed w.e.f. 1 December 2017

Dato' Sri Amrin Awaluddin
Managing Director/Chief Executive Officer
Appointed w.e.f. 6 May 2019

Nik Amlizan Mohamed
Non-Independent Non-Executive Director
Appointed w.e.f. 1 November 2018

Lieutenant General Dato' Fadzil Mokhtar (R)
Independent Non-Executive Director
Appointed w.e.f. 15 July 2019

Dato' Nonee Ashirin Dato' Mohd Radzi
Independent Non-Executive Director
Appointed w.e.f. 15 July 2019

Abraham Verghese a/l TV Abraham
Independent Non-Executive Director
Appointed w.e.f. 15 July 2019

Loong Caesar
Independent Non-Executive Director
Appointed w.e.f. 15 July 2019

Izaddeen Daud
Independent Non-Executive Director
Appointed w.e.f. 18 May 2020

Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)
Chairman
Non-Independent Non-Executive Director
(until 31 July 2019)

Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad
Senior Independent
Non-Executive Director
(until 24 April 2019)

Datuk Azzat Kamaludin
Non-Independent Non-Executive Director
(until 31 July 2019)

Datuk Francis Tan Leh Kiah
Independent Non-Executive Director
(until 31 July 2019)

Dato' Sri Ghazali Mohd Ali
Non-Independent Executive Director
(until 31 July 2019)

Nucleus Tower at Mutiara Damansara

Mutiara Rini Phase 6B houses in Skudai, Johor

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

Affendi Mohd Yob
Juniza Azizan

PRINCIPAL BANKERS

Affin Bank Berhad
Affin Hwang Investment Bank Berhad
Alliance Bank Malaysia Berhad
Ambank (M) Berhad
CIMB Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
United Overseas Bank Berhad

AUDITORS

Ernst & Young PLT

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Stock name: BSTEAD
Stock code: 2771

HOLDING CORPORATION

Lembaga Tabung Angkatan Tentera

Research and development of pharmaceutical products

BOARD OF DIRECTORS

Loong Caesar

Lieutenant General Dato' Fadzil Mokhtar (R)

Nik Amlizan Mohamed

Dato' Seri Mohamed Khaled Nordin

Datuk Zainun Aishah Ahmad

Dato' Nonee Ashirin Dato' Mohd Radzi

Dato' Sri Amrin Awaluddin

Abraham Verghese a/l TV Abraham

Izaddeen Daud

Affendi Mohd Yob
(Company Secretary)

Juniza Azizan
(Company Secretary)

BOARD AT A GLANCE

BOARD COMPOSITION

5 Independent Non-Executive Directors

1 Non-Independent Non-Executive Director

1 Non-Independent Non-Executive Chairman

1 Managing Director

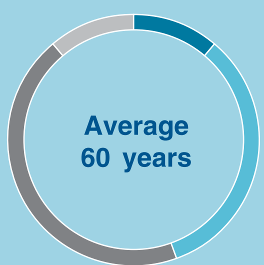
1 Senior Independent Non-Executive Director

TOTAL 9 BOARD OF DIRECTORS

BOARD TENURE

Below 3 years	2
Below 1 year	7

AGE



Below 75	1
60 to 70	3
50 to 60	4
Below 50	1

BOARD SKILLS

Accounting	22%
Aviation	11%
Business Administration	55%
Commerce	33%
Corporate Governance	100%
Finance & Economics	44%
Legal	44%
Military	11%

67%

The Board comprises **67% Independent Directors**

The **Chairman** is a **Non-Independent Non-Executive Director**

The **positions** of the **Chairman** and the **Managing Director** are held by different individuals

PROFILE OF DIRECTORS

DATO' SERI MOHAMED KHALED NORDIN
Chairman/Non-Independent Non-Executive Director

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	61	1 May 2020	Less than 1 year	–

Board Committee(s)
- Nil

Board Meeting attended in the financial year
- None, as Dato' Seri Mohamed Khaled was appointed to the Board on 1 May 2020

Working experience
- 1983 – Legal Executive, Petronas
- 1983 to 1986 – Political Secretary, Federal Territory Minister
- 1986 to 1987 – Political Secretary, Social Welfare Minister
- 1990 to 2004 – Member of Parliament, Johor Bahru; and Deputy Works Minister
- 2004 to 2008 – Minister of Entrepreneur and Co-operatives Development
- 2004 to 2013 – Member of Parliament, Pasir Gudang Johor
- 2008 to 2013 – Minister of Higher Education
- 2013 to 2018 – State Assembly Member for Permas, Johor
- 2013 to 2018 – 15th Chief Minister (Menteri Besar) of Johor

Dato' Seri Mohamed Khaled Nordin was the Chairman of Johor Corporation Berhad, its group companies and several state-owned entities.

Qualification
- 1982 – LLB Honours, Universiti Malaya

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

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

Conflict of interests with the Company
- No

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

PROFILE OF DIRECTORS

DATO' SRI AMRIN AWALUDDIN
Managing Director/Chief Executive Officer

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	53	6 May 2019	1 year	–

Number of Board Meetings Attended:
5/6

Board Committee(s)
- Nil

Board Meeting attended in the financial year
- 5/6, as Dato' Sri Amrin was appointed to the Board on 6 May 2019

Working experience
- 1990 – Officer, Corporate & Commercial Loans, Development & Commercial Bank Berhad
- 1990 to 1996 – Manager, Structured & Project Finance, Amanah Merchant Bank Berhad
- 1996 to 1999 – Senior General Manager, Renong Berhad
- 1999 to April 2000 – Head of Corporate Finance, Malaysian Resources Corporation Berhad
- 2001 – Chief Operating Officer, Putera Capital Berhad
- 2001 to 2005 – Group Chief Financial Officer, Media Prima Berhad
- 2006 to 2008 – Chief Executive Officer (CEO), Natseven TV Sdn Bhd (ntv7)
- 2008 to 2009 – CEO, Sistem Televisyen Malaysia Berhad
- 2009 to 2017 – Group Managing Director (GMD), Media Prima Berhad
- 2017 to 2019 – GMD, Sime Darby Property Berhad
- May 2019 to present – MD/CEO, Boustead Holdings Berhad

Qualification
- Bachelor of Business Administration (Hons), Acadia University, Nova Scotia, Canada
- Master of Business Administration (Finance), The University of Hull, United Kingdom
- Member of the Malaysian Institute of Accountants (MIA)
- Member of the Chartered Institute of Management Accounts (Global Chartered Management Accountants, United Kingdom) (CIMA)

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

Directorship in other public listed companies
- Taliworks Corporation Berhad

Directorship in public companies
- MHS Aviation Berhad

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

Conflict of interests with the Company
- No

Other than traffic offences, 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

NIK AMLIZAN MOHAMED
Non-Independent Non-Executive Director

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Female	51	1 November 2018	2 years	24 April 2019

Number of Board Meetings Attended:
7/8

Board Committee(s)

- Member of Nominating and Remuneration Committee

Board Meeting attended in the financial year

- 7/8

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, United States of America

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

PROFILE OF DIRECTORS

DATUK ZAINUN AISHAH AHMAD
Senior Independent Non-Executive Director

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Female	73	1 December 2017	3 years	12 April 2018

Number of Board Meetings Attended:
8/8

Board Committee(s)
- Chairman of Sustainability Committee
- Member of Audit Committee
- Member of Risk Committee

Board Meeting attended in the financial year
- 8/8

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

LIEUTENANT GENERAL DATO' FADZIL MOKHTAR (R)

Independent Non-Executive Director

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	61	15 July 2019	Less than 1 year	–

Number of Board Meetings Attended: **4/4**

Board Committee(s)

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

Board Meeting attended in the financial year

- 4/4, as Dato' Fadzil was appointed to the Board on 15 July 2019

Working experience

- Lieutenant General Dato' Fadzil has served in the Malaysian Armed Forces for more than 41 years, during which he held various senior command and staff positions including:
  - 1997 – Legal Adviser to the Malaysian Contingent in Bosnia Herzegovina
  - 2011 to 2013 – Head of Human Resource, Malaysian Army
  - 2013 to 2014 – Head of Mission, International Monitoring Team in Mindanao, Philippines
  - 2015 to 2016 – General Officer Commanding 2nd Division
  - 2016 to 2018 (retirement) – Joint Force Commander, Malaysian Armed Forces
- Others:
  - 2002 – Lee Kuan Yew Fellow, National University of Singapore
  - Present – Academic Fellow, National Defence University of Malaysia

Qualification

- Bachelor of Laws (First Class Honours), Universiti Teknologi MARA
- Master of Public Management, National University of Singapore
- Master of Arts, Universiti Kebangsaan Malaysia

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

PROFILE OF DIRECTORS

DATO' NONEE ASHIRIN DATO' MOHD RADZI
Independent Non-Executive Director

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Female	48	15 July 2019	Less than 1 year	–

Number of Board Meetings Attended: **4/4**

Board Committee(s)
- Member of Risk Committee
- Member of Sustainability Committee

Board Meeting attended in the financial year
- 4/4, as Dato' Nonee Ashirin was appointed to the Board on 15 July 2019

Working experience
- 2001 to 2003 – Lawyer, Mohammad Ali & Co.
- 2003 to 2006 – Business Development Manager, Eurocopter Malaysia
- 2006 to 2008 – Vice President, Business Development, Unique Globe Sdn Bhd
- 2009 to 2010 – Vice President, Business Development and Sales, HELIPARTNER Sdn Bhd
- 2011 to 2017 – Chairman and Chief Executive Officer, Global Turbine Asia Sdn Bhd
- Present – Chairman, Global Turbine Asia Sdn Bhd
- Present – Partner, Arthur Yeong Nonee Ashirin Advocates & Solicitors

Qualification
- 1996 – LLB Degree, Wolverhampton University, United Kingdom
- 1997 – Barrister-at-Law, Lincoln's Inn, United Kingdom

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

Directorship in other public listed companies
- Nil

Directorship in public companies
- MHS Aviation Berhad

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

Conflict of interests with the Company
- No

Other than traffic offences, 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

ABRAHAM VERGHESE A/L TV ABRAHAM Independent Non-Executive Director					
Nationality	**Gender**	**Age**	**Date of Appointment**	**Length of Service**	**Date of last Re-election**
Malaysian	Male	63	15 July 2019	Less than 1 year	–

Number of Board Meetings Attended:
4/4

Board Committee(s)

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

Board Meeting attended in the financial year

- 4/4, as Mr. Abraham Verghese was appointed to the Board on 15 July 2019

Working experience

- 1979 to 1990 – Various senior positions, Hanafiah Raslan & Mohamad
- 1990 to 1994 – Principal/Senior Manager, Arthur Andersen/Hanafiah Raslan & Mohamad
- 1994 to 1997 – National Partner, Arthur Andersen
- 1997 to 2001 – Worldwide Partner, Arthur Andersen
- 2002 to 2016 – Partner, Ernst & Young/Ernst & Young Asia Pacific

Qualification

- Certified Public Accountant, Malaysian Institute of Certified Public Accountants
- Chartered Accountant, Malaysian Institute of Accountants
- Fellow of Association of Certified Chartered Accountants

Details of any interest in the securities of Boustead Holdings Berhad

- Nil

Directorship in other public listed companies

- Tadmax Resources Berhad

Directorship in public companies

- Boustead Properties Berhad

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

- No

Conflict of interests with the Company

- No

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

- Nil

PROFILE OF DIRECTORS

LOONG CAESAR
Independent Non-Executive Director

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	59	15 July 2019	Less than 1 year	–

Number of Board Meetings Attended:
4/4

Board Committee(s)
- Chairman of Risk Committee
- Member of Audit Committee
- Member of Nominating and Remuneration Committee

Board Meeting attended in the financial year
- 4/4, as Mr. Loong Caesar was appointed to the Board on 15 July 2019

Working experience
- 1985 – Advocate & Solicitor, High Court of Malaya
- 1985 to 1992 – Legal Assistant, Skrine
- 1993 to 1995 – Founding Partner, Hishammuddin Loong (renamed Lee Hishammuddin Allen & Gledhill)
- 1994 – Advocate & Solicitor, Supreme Court of Singapore
- 1995 to 2017 – Founding Partner, Raslan Loong
- 2017 to present – Founding and Managing Partner, Raslan Loong, Shen & Eow

Qualification
- 1979 to 1982 – LL.B Degree, London School of Economics and Political Science, United Kingdom
- 1982 to 1983 – Council for Legal Education (CLE) and Member of the Middle Temple, Inn of Court
- 1983 to 1984 – Masters in Law, LL.M degree, Gonville & Caius College, University of Cambridge, United Kingdom

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

Directorship in other public listed companies
- Mulpha International Berhad

Directorship in public companies
- UAC Berhad

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

Conflict of interests with the Company
- No

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

IZADDEEN DAUD
Independent Non-Executive Director

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	51	18 May 2020	Less than 1 year	–

Board Committee(s)

- Member of Audit Committee

Board Meeting attended in the financial year

- None, as Encik Izaddeen was appointed to the Board on 18 May 2020

Working experience

- 1991 – Auditor, Ernst & Young
- 1992 – Senior Officer, Oriental Bank Berhad
- 1992 to 1998 – Senior Manager, Perwira Affin Merchant Bank Berhad
- 1999 to 2006 – Assistant Vice President, Permodalan Nasional Berhad
- 2006 to 2007 – Chief Executive Officer, ASM Investment Services Berhad
- 2007 to 2009 – Managing Director, MARA Incorporated

He is currently the Executive Chairman of E&E Gas Sdn Bhd

Qualification

- Certified Financial Planner, Financial Planning Association of Malaysia
- Fellow Member, Institute of Public Accountant, Australia
- B.Sc (Hons) Accounting and Law, De Monfort University, Leicester, United Kingdom

Details of any interest in the securities of Boustead Holdings Berhad

- Nil

Directorship in other public listed companies

- Boustead Heavy Industries Corporation Berhad
- Olympia Industries 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, 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 DIRECTORS

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

Chairman/Non-Independent Non-Executive Director *(until 31 July 2019)*

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	89	3 December 1990	29 years	24 April 2019

Number of Board Meetings Attended:
4/4

Board Committee(s)

- Member of Nominating Committee
- Member of Remuneration Committee

Board Meeting attended in the financial year

- 4/4, as Tan Sri Ghazali resigned from the Board on 31 July 2019

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 was the Chairman of Boustead Holdings Berhad since 3 December 1990. He was 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

- 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 *(until 24 April 2019)*

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	80	10 December 1990	29 years	12 April 2018

Number of Board Meetings Attended:
2/2

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

- 2/2, as Dato' Wira (Dr.) Megat Abdul Rahman retired from the Board on 24 April 2019

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

PROFILE OF DIRECTORS

DATUK AZZAT KAMALUDIN

Non-Independent Non-Executive Director *(until 31 July 2019)*

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	74	16 January 1991	28 years	6 April 2017

Number of Board Meetings Attended:
4/4

Board Committee(s)

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

Board Meeting attended in the financial year

- 4/4, as Datuk Azzat resigned from the Board on 31 July 2019

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 and 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

- 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 FRANCIS TAN LEH KIAH

Independent Non-Executive Director *(until 31 July 2019)*

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	68	11 October 2012	7 years	12 April 2018

Number of Board Meetings Attended:
3/4

Board Committee(s)

- Member of Audit Committee
- Member of Sustainability Committee

Board Meeting attended in the financial year

- 3/4, as Datuk Francis resigned from the Board on 31 July 2019

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

PROFILE OF DIRECTORS

DATO' SRI GHAZALI MOHD ALI
Non-Independent Executive Director *(until 31 July 2019)*

Nationality	Gender	Age	Date of Appointment	Length of Service	Date of last Re-election
Malaysian	Male	71	1 March 2007	12 years	6 April 2017

Number of Board Meetings Attended:
4/4

Board Committee(s)
- None

Board Meeting attended in the financial year
- 4/4, as Dato' Sri Ghazali resigned from the Board on 31 July 2019

Working experience
- Prior to joining Boustead Holdings Berhad, Dato' Sri Ghazali held several positions in the 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
- Presently, he is the Divisional Director, Property, Boustead Holdings Berhad

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
- Boustead Plantations Berhad

Directorship in public companies
- UAC Berhad
- Iskandar Investment Berhad
- Perumahan Kinrara 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

HEADS OF SUBSIDIARY COMPANIES

Dato' Farshila Emran
Managing Director,
Pharmaniaga Berhad
(until 31 March 2020)

Ir. Ee Teck Chee
Chief Executive Officer,
Boustead Heavy Industries
Corporation Berhad
(until 31 January 2020)

Ibrahim Abdul Majid
Chief Executive Officer
Boustead Plantations Berhad
(appointed w.e.f. 1 December 2019)

Dato' Sri Ghazali Mohd Ali
Executive Director,
Boustead Properties Berhad

HEADS OF SUBSIDIARY COMPANIES

Gan Boon Ting
Managing Director/
Chief Executive Officer
UAC Berhad

Choo Kok Leong
Acting General Manager
Boustead Travel Services
Sdn Bhd

Ishak Shamsuddin
General Manager
Boustead Credit Sdn Bhd

Nazri Suhaimie Mohd Nasir
General Manager
Boustead Shipping
Agencies Sdn Bhd
(until 15 March 2020)

Azizul Azily Ahmad
Acting Chief
Executive Officer
Boustead Petroleum
Marketing Sdn Bhd
(until 31 March 2020)

Professor Graham Kendall
Pro-Vice-Chancellor/Provost and Chief Executive Officer
The University of Nottingham in Malaysia Sdn Bhd

Lau Kim Jean
Insurance Manager
Boustead Global Risk Solution Sdn Bhd

Abdul Aziz Shuffii
Chief Operating Officer
MHS Aviation Berhad

Datuk Koo Hock Fee
Exco Chairman, Hotels & Resorts
Boustead Hotels & Resorts Sdn Bhd

Tuan Syed Ja'affar Syed Mohamed
General Manager, Operations
Boustead Cruise Centre Sdn Bhd

HEADS OF DEPARTMENTS

Ahmad Fazril Mohd Fauzi
Group Internal Audit, Risk Management and Integrity & Governance

Ahmad Shahredzuan Mohd Shariff
Group Transformation Office

Harzilah Muhamad
Group Corporate Communications

Mohd Zaidi Zainol Rashid
Group Legal & Compliance

Fakril Zamani Mahmud
Group Transformation Office

Adzli Shaferul Ramli
Group Finance

Fahmy Ismail
Group Finance

Koh Chor Meng
Group Information Technology
(until 31 March 2020)

Nawal Hanafiah
Group Human Capital Management

Affendi Mohd Yob
Group Secretarial

PROFILE OF HEADS OF DEPARTMENTS

Ahmad Fazril Mohd Fauzi

Head of Group Internal Audit, Risk Management and Integrity & Governance

Age: 37
Gender: Male
Nationality: Malaysian

Date of appointment to present position
8 October 2018

Working experience
- 2007 to 2015 – Accountant, Boustead Holdings Berhad (BHB)
- 2015 to 2018 – Financial Controller, BHB
- Present – Head of Group Internal Audit, Risk Management and Integrity & Governance, BHB

Qualification
- 2006 – Bachelor of Commerce, Deakin University, Australia
- 2011 – Certified Public Accountant, The Malaysian Institute of Certified Public Accountants
- 2012 – Chartered Accountant, Malaysia Institute of Accountants

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

Ahmad Shahredzuan Mohd Shariff

Chief Transformation Officer

Age: 37
Gender: Male
Nationality: Malaysian

Date of appointment to present position
1 May 2020

Working experience
- August 2006 to June 2015 – Various positions in Permodalan Nasional Berhad. Last position was Senior Manager at the Office of Presidents and Group Chief Executive
- June 2015 to November 2019 – Implementation Consultant, McKinsey & Company, Kuala Lumpur, Malaysia
- November 2019 to April 2020 – Senior General Manager, BHB
- May 2020 to present – Chief Transformation Officer, BHB

Qualification
- 2006 – BSc. Economics, University of Warwick, United Kingdom
- 2012 – Graduate Diploma of Applied Finance, Kaplan Higher Education, Australia

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

Harzilah Muhamad
Assistant General Manager, Group Corporate Communications

Age: 59
Gender: Female
Nationality: Malaysian

Date of appointment to present position
1 January 2014

Working experience

- 1982 to 1984 – Marketing Coordinator, 3M Malaysia Sdn Bhd
- 1987 to 1989 – Manager, Melawati Management Sdn Bhd
- 1989 to 1990 – Marketing Executive, Rapid Learning Centre
- 1990 to 1994 – Marketing Executive, 3M Malaysia Sdn Bhd
- 1994 to 1997 – Customer Services Manager, Boustead Johan Edaran Sdn Bhd
- 1997 to 2013 – Group Communication & Administration Manager, Boustead Holdings Berhad (BHB)
- 2013 to 2014 – Senior Manager, Group Communication & Administration Manager, BHB
- 2014 to present – Assistant General Manager, Group Corporate Communications, BHB

Qualification

- 1981 – Diploma in Business Studies, Institut Teknologi MARA (ITM)
- 1987 – Bachelor in Business Administration, University of Portland, Oregon, USA

Details of any interest in the securities of Boustead Holdings Berhad

- 48,294 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

Mohd Zaidi Zainol Rashid
General Manager, Group Legal & Compliance

Age: 49
Gender: Male
Nationality: Malaysian

Date of appointment to present position
1 September 2013

Working experience

- 1998 to 2000 – Legal Executive, Percon Corporation Sdn Bhd (Permodalan Nasional Berhad Group)
- 2000 to 2004 – Officer, Listing Division, Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad)
- 2009 to 2013 – Manager, Legal Services, BHB
- 2013 to present – General Manager, Group Legal & Compliance, BHB

Qualification

- 1995 – LLB Degree, International Islamic University Malaysia
- 1996 – Advocate & Solicitor, High Court of Malaya

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

PROFILE OF HEADS OF DEPARTMENTS

Fakril Zamani Mahmud

General Manager,
Group Transformation Office

Age: 46
Gender: Male
Nationality: Malaysian

Date of appointment to present position
7 June 2016

Working experience

- 1997 to 2000 – Audit Senior, PricewaterhouseCoopers
- 2000 to 2008 – Senior Executive, Investment Department, Perbadanan Nasional Berhad
- 2008 to 2011 – Senior Manager, Malaysian Biotechnology Corporation Sdn Bhd
- 2011 to 2013 – Senior Manager, Corporate Strategy – Felda Global Ventures Holdings Berhad
- 2013 to 2016 – Head, Corporate & Strategic Planning, Boustead Heavy Industries Corporation Berhad
- 2016 to present – General Manager, Group Transformation Office, Boustead Holdings Berhad (BHB)

Qualification

- 1997 – Bachelor of Accountancy, Universiti Utara Malaysia (UUM)
- 2005 – Master of Business Administration (Finance), Universiti Putra Malaysia
- Member of the Malaysian Institute of Accountants – CA(M)

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

Adzli Shaferul Ramli

Director,
Financial Services

Age: 47
Gender: Male
Nationality: Malaysian

Date of appointment to present position
1 January 2019

Working experience

- 6 October 1997 – Joined Boustead under Management Trainee Programme
- 1997 to 2000 – Group Finance Department, BHB
- 2000 to 2004 – Boustead Estates Agency Sdn Bhd
- 2004 to present – Group Finance Department, BHB

Qualification

- 1997 – Bachelor of Accountancy with Honours, UUM
- Certified Public Accountant, Malaysian Institute of Certified Public Accountants

Details of any interest in the securities of Boustead Holdings Berhad

- 34,594 Ordinary Shares

Directorship in other public listed companies

- Nil

Directorship in public companies

- UAC Berhad

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

- No

Conflict of interests with the Company

- No

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

- Nil

Fahmy Ismail

Chief Operating Officer/
Group Finance Director

Age: 43
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 (CEO), Boustead REIT Managers Sdn Bhd, the Manager of Al-Hadharah Boustead REIT
- 2014 to May 2018 – CEO, 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

Details of any interest in the securities of Boustead Holdings Berhad

- Nil

Directorship in public listed companies

- Nil

Directorship in public companies

- MHS Aviation Berhad

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

- No

Conflict of interests with the Company

- No

Other than traffic offences, 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

Koh Chor Meng

General Manager,
Group IT

Age: 60
Gender: Male
Nationality: Malaysian

Date of appointment to present position

1 July 2016

Working experience

- January 1982 to January 1989 – Programmer, Boustead Estates Agency Sdn Bhd
- January 1989 to December 1989 – Senior Programmer, Universal Life & General Insurance
- 1 January 1990 – Appointed as Computer Executive, Boustead Trading (1985) Sdn Bhd (BTSB)
- 1 January 1996 – Re-designated to Project Manager, BTSB
- 1 January 2000 – Re-designated to Assistant General Manager, Boustead Electronic Commerce Sdn Bhd
- 1 January 2002 – General Manager, Asia Smart Cards Centre (M) Sdn Bhd (ASCCSB)
- 16 June 2010 – Acting General Manager, Boustead Information Technology Sdn Bhd (BITSB)
- 1 November 2010 – General Manager, BITSB. Concurrently the General Manager, ASCCSB
- 1 July 2016 – General Manager, Group Information Technology, BHB

Qualification

- 1994 – Certification Computer Science/Information Technology, The British Computer Society, UK-Informatics, KL
- 1999 – Master in Business Administration in Information Technology Management University of Keele, UK

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

PROFILE OF HEADS OF DEPARTMENTS

Nawal Hanafiah

Head,
Group Human Capital Management

Age: 56
Gender: Female
Nationality: Malaysian

Date of appointment to present position
1 July 2013

Working experience

- October 1986 – December 1987, Tutor and Student Counselor, KPP/ITM Shah Alam
- January to September 1988 – Associate Consultant, Hanafiah, Raslan and Mohammed
- October 1988 to April 1995 – Manager, Human Resource, Boustead Holdings Berhad (BHB)
- End 1995 to March 1996 – Manager, Human Resource, Groupe Schneider
- April 1996 to present – Senior General Manager, Group Human Capital Management, BHB

Qualification

- 1986 – Bachelor of Science, Majoring in Economics and Minor in Computer Science, Northern Illinois University, DeKalb, USA
- 2010 – Senior Management Development Programme, Harvard Business School

Details of any interest in the securities of Boustead Holdings Berhad

- 370,832 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

Affendi Mohd Yob

Head,
Group Secretarial

Age: 42
Gender: Male
Nationality: Malaysian

Date of appointment to present position
1 January 2020

Working experience

- 2002 – Assistant Company Secretary, Mega-Wan Secretarial Services Sdn Bhd
- 2002 – Assistant Company Secretary, Konsortium Peniaga-Peniaga Bandaraya Sdn Bhd
- 2003 to 2009 – Assistant Company Secretary, Inter Millenia Services Sdn Bhd
- 2009 to 2010 – Company Secretary, Inter Millenia Services Sdn Bhd
- 2010 to 2014 – Company Secretary, Prudential BSN Takaful Berhad
- 2014 to 2016 – Assistant Vice President, CIMB Investment Bank Berhad
- 2016 to present – Company Secretary, BHB and Boustead Plantations Berhad
- 1 January 2020 to present – Head, Group Secretarial, BHB

Qualification

- 1999 – Diploma in Public Administration, Universiti Teknologi MARA (UiTM)
- 2001 – Bachelor of Corporate Administration, UiTM

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

CHAIRMAN'S STATEMENT

"The global economy registered a weaker growth of 2.4% in 2019, as a result of impacted trade and investment. Prolonged trade tensions between China and the US led to increased policy uncertainty and put pressure on international trade. This impacted both emerging markets and developing economies."

Dato' Seri Mohamed Khaled Nordin
Chairman

REVENUE
RM10.3 billion

NET ASSETS PER SHARE
RM1.84

Dear Shareholder,

AS BOUSTEAD HOLDINGS BERHAD'S NEW CHAIRMAN, I AM PLEASED TO PEN MY INAUGURAL NOTE TO YOU.

Indeed 2019 was a tough year for the Group. The Group's performance was impacted as a result of impairments at the Heavy Industries, Plantation and Property Divisions, as well as accelerated amortisation at the Pharmaceutical Division. Despite the fact that there was revenue growth, the Group posted a loss for the financial year due to accounting requirements.

Nevertheless, as a forward-looking company, we are focused on strengthening our prospects and have charted a new course for the transformation of the Group in order to deliver value in the long-term to our shareholders.

ECONOMIC LANDSCAPE

The global economy registered a weaker growth of 2.4% in 2019, as a result of impacted trade and investment. Prolonged trade tensions between China and the US led to increased policy uncertainty and put pressure on international trade. This impacted both emerging markets and developing economies.

Malaysia's GDP growth moderated to 4.3% during the year. Key factors impacting growth were supply disruptions, particularly in the commodity sector. However, the domestic economy continued to be supported by private sector spending and growth in the services and manufacturing sectors.

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

Despite the challenging economic environment, the Group recorded a higher revenue of RM10.3 billion. Nevertheless, due to the impairments and accelerated amortisation, Boustead recorded a loss of RM1.3 billion for the financial year.

Given the fact that profitability was impacted, Boustead was unable to fulfil its dividend policy in order to preserve cash flow and ensure the sustainability of the business.

Net assets per share came in at RM1.84 while shareholders' funds stood at RM3.7 billion for the year ended 31 December 2019.

HUMAN CAPITAL

People are a key pillar of growth. Only with strong and capable talent will we be able to propel the Group forward.

Towards this end, Boustead's talent development initiatives are geared towards cultivating a workforce that is fully engaged and aligned with the Group's aspirations. Alongside this, the Group's recruitment programmes allow for the injection of new talent as we move forward to expand our pool of highly skilled employees.

SUSTAINABILITY

Sustainability not only ensures the future of the Group, it also allows us to grow in a responsible manner and contribute positively in social and environmental contexts. This is aptly illustrated by our sustainability theme for 2019, 'Improving Today for a Better Tomorrow'.

LOSS BEFORE TAXATION & ZAKAT
RM1.3 billion

CAPEX & ACQUISITION
RM598 million

LOSS AFTER TAXATION & ZAKAT
RM1.4 billion

Demonstrating Boustead's commitment, this year's Sustainability Report is more comprehensive, with a view towards increasing the transparency of the Group's reporting. In addition, Boustead's sustainability priorities have been aligned in accordance with the United Nations' sustainable development goals.

Details of the Group's progress and achievements for the year as well as plans ahead are contained in Boustead's standalone Sustainability Report, which accompanies this Annual Report.

OUTLOOK

The COVID-19 pandemic has expanded across national borders impacting economies around the world. The pandemic is expected to have a prolonged impact on the global economy, particularly on worldwide supply chains.

Without a doubt, the pandemic will take its toll on the local economy. However, the stringent measures in place, namely the Government's implementation of a systematic series of movement control orders is expected to play an important part in curbing the spread of the COVID-19 pandemic.

ACKNOWLEDGEMENT

Boustead welcomed new members to the Board in 2019, namely Dato' Sri Amrin Awaluddin as Managing Director/ Chief Executive Officer, as well as Lieutenant General Dato' Fadzil Mokhtar (R), Dato' Nonee Ashirin Dato' Mohd Radzi, Mr Abraham Verghese and Mr Loong Caesar, who were appointed as Independent Non-Executive Directors. We also welcomed Encik Izaddeen Daud, who joined the Board as an Independent Non-Executive Director on 18 May 2020. The Group will certainly benefit from their distinguished backgrounds and broad experience.

My deepest appreciation to the Group's previous Chairman, Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R), who provided steadfast guidance for almost 30 years of service to the Group. In addition, the Group bids farewell to long-standing members Dato' Sri Ghazali Mohd Ali, Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad, Datuk Azzat Kamaludin and Datuk Francis Tan Leh Kiah who have left the Board during the year. We wish them all the best moving forward.

The Board would like to express our gratitude to our management team for their dedicated efforts, as well as to all employees for their hard work throughout the year.

Our sincere appreciation to our major shareholder, Lembaga Tabung Angkatan Tentera for placing their trust in us. Equally important, we would like to thank our shareholders, financiers, business associates, consultants and the regulatory authorities for their continued support.

Dato' Seri Mohamed Khaled Nordin
Chairman

Royale Chulan chalets in Cherating, Pahang

MANAGEMENT DISCUSSION & ANALYSIS

MANAGING DIRECTOR'S REVIEW

Dear Shareholder,

THIS FINANCIAL YEAR MARKED A CHALLENGING ONE FOR YOUR GROUP AS WE ARE FACING DIFFICULTIES FROM VARIOUS FRONTS. ON THIS NOTE, AND AS PART OF THE INAUGURAL MESSAGE TO YOU, OUR LOYAL SHAREHOLDER, WE WOULD LIKE TO ASSURE YOU OF OUR COMMITMENT TO UNDERTAKE A TRANSFORMATION JOURNEY TO IMPROVE THE FINANCIAL POSITION OF YOUR GROUP, DESPITE THE CHALLENGING JOURNEY AHEAD.

TRANSFORMATION PLAN

While current challenges persist, we are committed in ensuring the Group's long-term growth. To this end, we embarked on a Group-wide transformation journey in the last quarter of 2019. We are currently in the first phase, which sees us implementing a comprehensive review of the Group's operations and investments.

From an operational standpoint, the Group is focusing on the strategic turnaround of underperforming businesses through cost management and the pursuit of viable new business opportunities. Moreover, Boustead is also looking at the implementation of an Investment Monitoring Framework to further streamline our investment efforts.

In terms of the Group's funding, debt restructuring and asset rationalisation are some of the areas we are focusing on as part of our transformation initiative. We look to continue strengthening our corporate governance policies and guidelines in order to ensure that we comply with stringent corporate governance standards, and that our Board is able to effectively oversee corporate governance matters.

We will be revamping our organisational structure for optimal efficiency. In line with this, we have established a Group Transformation Office (GTO), which acts as a nerve centre for all transformation activities. The GTO is also tasked with the provision of long-term strategic direction Group-wide, planning of annual initiatives, as well as performance tracking for our business units. In addition, our GTO will also oversee the restructuring of our subsidiaries in order to optimise the value we can provide to shareholders.

Termed EDGƎ 20, the Transformation Plan will see the execution of 20 key transformation initiatives to be undertaken Group-wide.

We look to launch EDGƎ 20, in the third quarter of the 2020 fiscal year as we commence on a three-year journey to evolve and enhance efficiency in order to achieve sustainable organisational excellence and growth.

FINANCIAL PERFORMANCE

The Group reported stable top line results. In fact, our revenue grew from RM10.2 billion in 2018 to RM10.3 billion in the financial year ended 31 December 2019. Moreover, we clocked in earnings before interest, tax, depreciation and amortisation (EBITDA) of RM455 million, signifying a 35.0% increase compared with RM337 million in the previous year. This clearly reflects the viability of our businesses, as revenue growth is a pertinent indicator of business continuity and sustained growth in any commercial venture.

However, our results were weighed down by impairments at the Heavy Industries and Plantation Divisions, amounting to RM844 million and RM176 million respectively. This was compounded by the RM47 million impairment recorded by our Property Division. We were also faced with a one-off amortisation impact of RM247 million owing to the recognition of the remaining unamortised Pharmacy Information System (PhIS) investment under the Pharmaceutical Division.

Dato' Sri Amrin Awaluddin
Managing Director/
Chief Executive Officer

MANAGING DIRECTOR'S REVIEW

Aerial view of One Cochrane Residences

As a consequence of these non-cashflow impacting accounting measures, we posted a loss of RM1.3 billion for the year. Hence, given the direct knock-on impact to the Group's earnings, we are unable to pay any dividends for the year.

The Group's gearing stood at 1.4 times (2018: 1.0 times) based on total borrowings of RM7.9 billion (2018: RM7.5 billion) over total equity of RM5.7 billion (2018: RM7.8 billion). Total assets came in at RM17 billion and shareholders' funds was RM3.7 billion.

The Trading & Industrial Division reported the highest contribution to the Group with a profit of RM157 million, primarily owing to the healthy growth momentum recorded by Boustead Petroleum Marketing.

The Finance & Investment Division recorded a higher profit of RM156 million, an 86% increase compared with RM84 million in 2018, mainly due to share of profit in our joint venture company and better results from our university operations.

The Group's Property Division recorded a deficit of RM102 million mainly due to the impairment on Royale Chulan Cherating, due to the assessment of prospects for this hotel. The Division was also impacted by lower sales and lesser progress billings from property development activities.

The Plantation Division incurred a deficit of RM135 million primarily as a consequence of the impairment on recently acquired plantation assets in Sabah. These estates will require more time for rehabilitation than what was initially

expected at the point of acquisition. The Division was also encumbered by the decline in palm product prices for the first three quarters of 2019, increased finance costs, higher depreciation charges as well as amortisation expenses.

The Pharmaceutical Division was awarded with a contract extension by the Ministry of Health (MOH) for the provision of medicines and medical supplies for 25 months until 31 December 2021. The Division also secured a contract to provide logistics and distribution services for five years ending 31 December 2024. Consequently, the Division was required to accelerate the recognition of unamortised PhIS costs, which made an impact on results for the year. The Division was also hampered by a stock write-off provision for the voluntary product recall of Ranitidine, hence, closing the year under review with a loss of RM207 million.

The Heavy Industries Division was adversely impacted by a goodwill impairment charge recorded due to uncertainties related to future shipbuilding projects. This was compounded by the impairment recorded by MHS Aviation on its EC225 helicopters amounting to RM80 million, which was attributable to market value and aging of assets particularly given the persisting uncertainties faced in the oil and gas industry. Coupled with these factors, the Division was faced with a sluggish sector resulting in lower defence-related and commercial-based maintenance, repair and overhaul business opportunities. This led to a deficit of RM1.2 billion.

SUSTAINABILITY COMMITMENT

Our involvement in core sectors of the Malaysian economy necessitates the inclusion of sustainability practices as part and parcel of our day-to-day operations.

The Group's 2019 Sustainability Report, which marks our second standalone Sustainability Report, details our sustainability performance for the year in relation to four core areas of impact: economic, environment, our people and the wider communities.

We have utilised the Bursa Malaysia Sustainability Reporting Guide and the Bursa Malaysia Main Market Listing Requirements (Practice Note 9) in developing this report. In addition, we have referred to the Global Reporting Initiative (GRI) Standards – Core Option.

This year's Sustainability Report incorporates more data, with a view to provide an account of the most important sustainability information pertaining to our Group in terms of our impact, challenges, as well as our progress, in line with our commitment to strengthen the Group's sustainability reporting.

To this end, the Group has included further key performance indicators (KPIs) that work to affirm our contribution to sustainable development.

We are cognisant of the journey ahead as we look to fortify our sustainability efforts. Moving forward we aim to strengthen our efforts and establish our Second Group Sustainability Roadmap for FY2021-2025.

OUTLOOK

Our ability to record positive growth in revenue in 2019 despite the challenging economic backdrop is reflective of our strength and our underlying fundamentals.

Moreover, the impairments, amortisation and fair value losses taken up in 2019 were necessary in terms of good governance and accounting principles.

As we journey ahead, the Group is conscious of the tremendous challenges ahead not just for the Group or the nation but also globally, as we face the onslaught of the COVID-19 pandemic and the impact of post Movement Control Order (MCO).

We are focused on realising our transformation strategy by improving the way we operate with a view to strengthening our prospects over the long-term, amidst tough market conditions.

MANAGING DIRECTOR'S REVIEW

At our Plantation Division, we have introduced a new management structure of Strategic Business Units (SBUs) as part of the first phase of a four-phase transformation plan. We have merged the Division's 48 estates and 10 palm oil mills into 10 SBUs. This measure allows us to consolidate our operations and better focus on strengthening our fundamentals.

We have also streamlined the management and support functions by establishing centralised specialist teams that provide support to our 10 SBUs in terms of replanting, mechanisation, foreign workers, procurement and engineering.

While our Property Division, particularly our Hotel segment is facing challenges caused by the COVID-19 pandemic, we will continue to undertake a strategic review of our asset portfolio. Infrastructure and earthworks for our township development in Mutiara Hills, Semenyih, Selangor is proceeding and we look forward to launching our first development comprising 140 units of double storey terrace houses in the second half of 2020.

Our Pharmaceutical Division is honoured to aid our frontliners at MOH as they face the difficult task of fighting the COVID-19 pandemic. The Group's Pharmaceutical Division is expected to improve on prospects in the local and regional pharmaceutical sector. We expect the recent 25-month extension obtained by our Logistics and Distribution segment for the supply of medicines and medical supplies to MOH facilities as well as the five-year contract to supply logistics and distribution services to MOH, to be a key earnings contributor. Whilst we continue to pursue further extension of these two contracts, we will work towards expanding our product mix. We look to continue participating in Government tenders while looking out for private sector prospects, both locally and globally. This will reduce our dependence on Government contracts and concession at Pharmaniaga Berhad.

BHIC's booth at Langkawi International Maritime & Aerospace Exhibition (LIMA) 2019 showcasing its products and services in the defence/ security and marine industries

Rimba Nilai Mill in Sugut, Sabah

Looking ahead, for our Finance & Investment Division, we expect the special relief measures announced in relation to the COVID-19 pandemic to have an impact on our earnings. Nevertheless, AFFIN Bank is staying focused to aid the SME market jumpstart their businesses post-pandemic, particularly through SMEColony, our mobile app that serves as a comprehensive resource and business reference platform for SMEs.

Our Trading & Industrial Division is expected to continue facing a challenging operating environment given the drastic drop in oil prices, weak consumer sentiments as well as slower economic growth due to the COVID-19 pandemic. UAC Berhad will focus on Industrial Building System products related to affordable housing.

The Heavy Industries Division will continue exploring long-term prospects from the ongoing 15to5 Transformation Plan by the Royal Malaysian Navy and the opportunities demonstrated in the Defence White Paper that represents Malaysia's defence sector's direction for the next 10 years.

The following pages provide you with a thorough review of how our divisions have performed in 2019 and some of the plans ahead. It is expected that 2020 will be another tough year due to the macro and micro repercussions as a result of the COVID-19 pandemic, sluggish oil prices and trade conditions.

The Group would like to assure shareholders that we are committed to staying the course as we believe there are inherent opportunities and potential Group-wide. As we journey through these undeniably challenging circumstances, the Group will either build on value or review business prospects, with a view to providing sustainable yields to our shareholders.

We are very honoured to have a seasoned Federal and State policymaker joining the Board as our Non-Independent Non-Executive Chairman, effective 1 May 2020. Dato' Seri Mohamed Khaled Nordin brings with him a vast expanse of knowledge in business and equally important, in terms of policy matters. With his proven leadership, we are confident that the Group will flourish under Dato' Seri Mohamed Khaled Nordin's helm.

We would also like to welcome our Independent and Non-Executive Directors, Lieutenant General Dato' Fadzil Mokhtar (R), Dato' Nonee Ashirin Dato' Mohd Radzi, Mr Abraham Verghese and Mr Loong Caesar to the Board, as well as Encik Izaddeen Daud who joined us on 18 May 2020.

It would be remiss of us to not bring special attention to our long serving former Directors who have retired from the Board, including former Chairman Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R), Dato' Sri Ghazali Mohd Ali, Datuk Francis Tan Leh Kiah, Datuk Azzat Kamaludin and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad. The Group has indeed greatly benefitted from their collective wisdom over the years. We wish them all the very best in their journey ahead.

We thank our shareholders for the trust and support placed in us as we work harder to strengthen shareholder value. We would also like to express our appreciation to fellow Bousteadians, the Board, customers and all regulatory authorities.

Dato' Sri Amrin Awaluddin
Managing Director/
Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

PLANTATION DIVISION

KEY DEVELOPMENTS

OPERATES 48 ESTATES, WITH 19 ESTATES IN PENINSULAR MALAYSIA, 20 ESTATES IN SABAH AND NINE ESTATES IN SARAWAK ALONG WITH A TOTAL OF 10 PALM OIL MILLS

REVENUE
RM577 million

TOTAL ASSETS
RM4.2 billion

THE PLANTATION DIVISION WAS HAMPERED BY A VARIETY OF FACTORS INCLUDING AN IMPAIRMENT, FLUCTUATIONS IN SUPPLY AND DEMAND OF AGRICULTURAL COMMODITIES, LOW PALM OIL PRICES FOR MOST OF 2019 AS WELL AS LABOUR SHORTAGES.

AS A RESULT, THE DIVISION RECORDED A DEFICIT OF RM135 MILLION FOR THE YEAR ENDED 31 DECEMBER 2019.

MARKET REVIEW

In the fourth quarter of the year, we saw a pronounced rallying in palm oil prices as a contraction in palm oil production was met with dramatically growing demand, driven by Indonesia's biodiesel programme. Demand for palm oil also rose largely due to poor demand for soybean.

However, the boost in the fourth quarter was insufficient to cushion the impact of the ongoing trade war between the US and China on agricultural markets and low average palm oil prices recorded in the first three quarters of 2019 with prices declining to one of the lowest in recent times.

The Group registered an average crude palm oil (CPO) price of RM2,134 per MT, marking a decline of 6.0% from the previous year while average palm kernel price dropped by 30.0% compared with 2018 to RM1,244 per MT.

ESTATES AND MILLS

Spanning over 98,200 hectares (ha), the Division's total land bank grew by 4,900 ha during the year. The Division operates 48 estates, with 19 estates in Peninsular Malaysia, 20 estates in Sabah and nine estates in Sarawak along with a total of 10 palm oil mills.

Total area under cultivation amounted to 79,400 ha of which 72,900 ha consists of mature oil palm areas while the remaining 6,500 ha comprises immature oil palm areas.

MANAGEMENT DISCUSSION AND ANALYSIS

PLANTATION DIVISION

Sungai Jernih Palm Oil Mill in Pahang

Our production of fresh fruit bunches (FFB) increased by 2% compared with 966,134 MT recorded in the preceding year. However, average yield dropped to 13.9 MT per ha principally owing to an acute shortage of harvesters followed by the crop downtrend in the second quarter of 2019. The Division's yield was also impacted by Boustead Pertama and Boustead Tawai estates' lower combined yield.

Our Peninsular Malaysia operations recorded an average yield per ha of 17.7 MT FFB, marking a 3.0% decrease against last year's 18.2 MT FFB per ha. We faced a shortage of harvesters, lower yield pattern and adverse weather conditions, which contributed to the decline in the Division's results.

As for our Sabah estates, average FFB yield came in at 13.9 MT per ha, 9.2% lower than 15.3 MT per ha in 2018 as a result of the weak performance of our Boustead Pertama, Boustead Tawai and Sugut estates compounded by a shortage of harvesters and high turnover.

We recorded a lower FFB yield of 8.2 MT per ha for Sarawak compared with 9.3 MT last year. The deficiency of experienced harvesters, difficult terrain, inadequate field infrastructure and unfavourable weather triggered the region's lower yield for 2019.

Harvesting fruits with a manual cutter

The Division's operations milled 1,070,639 MT FFB during the year demonstrating our mills' combined processing capacity of 450 MT FFB per hour. The 7.0% increase can be attributed to the additional capacity for processing as a result of the addition of our newly acquired Boustead Tawai Palm Oil Mill. Moreover, the addition of new replanting areas coming into production also contributed to the increase in FFB processed. In total, around 82.0% of the fruits processed were from our own estates.

FFB production cost stood at RM294 per MT compared with RM327 per MT in 2018 while our milling cost rose to RM86 per MT of FFB. CPO production cost was RM1,535 per MT, compared with RM1,664 per MT last year.

The increase in FFB processed caused CPO production to grow by 9.0% to 231,298 MT while palm kernel production also rose to 47,113 MT. Average oil extraction rate (OER) recorded a marginal increase to 21.6%, exceeding Malaysian Palm Oil Board (MPOB)'s national average of 20.2%. At the same time, our average kernel extraction rate (KER) for 2019 of 4.4% was consistent with 2018.

The top performing mill for the year was our Segaria Palm Oil Mill with average OER of 23.7%.

In line with our drive to enhance the efficiency, productivity and sustainability of our field operations, we continue to undertake mechanisation initiatives across our estates. We increased the utilisation of PalmPro Hybrid poles, which are now applied across 35,000 ha of our estates, and motorised cutters utilised over 12,800 ha of our estates.

Fresh fruit bunches evacuation to bin

Barn owls used as biological pest control agents

The quality of FFB transported to our mills is maintained through our use of mini tractor grabbers throughout 33,200 ha of our estates and mini tractors for infield FFB collection covering 4,200 ha. In addition, our bin system is utilised at eight of our estates spanning 15,800 ha.

As a reflection of our commitment to progressing our implementation of Agriculture 4.0, our Telok Sengat Estate in Johor was equipped with a smart fertiliser spreader. This machinery is capable of precise application of two types of fertilisers simultaneously while autonomously collecting data to ensure our palms receive optimal fertiliser dosage.

MANAGEMENT DISCUSSION AND ANALYSIS

PLANTATION DIVISION

AAR's exhibition booth showcasing elite planting materials

Bunches of high-yielding elite clones

Our investment in drones provides us with the ability to plan and design infrastructure, drainage and terraces as well as automatically monitor and quantify our palm trees. In addition, we are looking into tapping on the benefits of cloud computing services to minimise on-site hardware and software.

Our Division's biological pest control measures, particularly the utilisation of barn owls, has been successful in our endeavour to manage the rat population at our Sabah estates. We are also assessing the efficacy of an alternative rat bait that is safe for barn owls as a supplementary control measure.

As at 2019, five palm oil mills are Roundtable on Sustainable Palm Oil (RSPO) certified and seven palm oil mills are Malaysian Sustainable Palm Oil (MSPO) certified. The remaining three business units have undergone the first round of auditing and are anticipated to be certified by 3rd quarter of the 2020 financial year.

RESEARCH & DEVELOPMENT

The Group's research and development (R&D) efforts are spearheaded by our associate company, Applied Agricultural Resources Sdn Bhd (AAR) in line with our journey to enhance yield and achieve sustainable growth.

As part of our R&D efforts to develop optimum planting materials, our latest discovery is a tenera clone that can fulfil the demand for value-added oil and fat products with its high oil-to-bunch ratio and carotenoid levels. The first batch of this ramet is expected to be planted in 2021.

In tandem, our biotechnology laboratory is testing for early detection of ramets with elevated risk of mantling. This research will allow us to ensure future tissue culture clones have a negligible risk of mantling. We have also successfully induced embryoids from OxG palms with production of rooted plantlets on course for 2020.

Our new planting material, AA Hybrida LS features a better fruit set along with a long stalk, which makes it easier to harvest using motorised cutters. We are currently planning the commercial planting of this DxP planting material.

In line with our intention to harness the benefits of microbes to enhance agro-management practices, we have discovered beneficial microbes including nitrogen-fixing bacteria and the Trichoderma species. Additionally, two other beneficial microbes that we have discovered have proven to have the capacity to inhibit Ganoderma disease in oil palm while promoting plant growth.

Fresh fruit bunches in cages ready for sterilisation

OUTLOOK

We are conscious of the far-reaching effect of the COVID-19 pandemic on multiple sectors across the globe, including the plantation sector. Coronavirus-driven restrictions and lockdowns by countries the world over have impacted overall demand, including from top importers such as India and China. Plunging crude oil prices have put further pressure on palm oil prospects, in spite of supportive factors such as Indonesia's biodiesel mandate and lower palm oil output.

As we brace for a challenging year ahead, moving forward, the Division's transformation programme will see us place emphasis on yield improvement, efficient mechanisation, reducing reliance on manual labour as well as a strong focus on enhancing cost management and operational efficiency. Through this transformation programme, which will be supported by a new management structure, we look to work towards sustained growth and long-term profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DIVISION

KEY DEVELOPMENTS

TAMAN MUTIARA RINI

187 UNITS
OF HOUSES AND SHOPS LAUNCHED

REVENUE
RM512 million

TOTAL ASSETS
RM4.1 billion

THE IMPACT FROM LOWER SALES AND PROGRESS BILLINGS FROM PROPERTY DEVELOPMENT ACTIVITIES COUPLED WITH IMPAIRMENTS, CULMINATED IN THE PROPERTY DIVISION REGISTERING A DEFICIT OF RM102 MILLION IN 2019.

PROPERTY DEVELOPMENT

The segment recorded a profit of RM13 million primarily attributable to sales generated by our properties in Taman Mutiara Rini, Johor, where demand remained strong, albeit the soft market.

Our Taman Mutiara Rini development was a key focus in 2019 as we successfully launched 187 units, comprising 163 double storey terrace houses and 24 single storey low cost shops. The year also saw us handing over a total of 513 completed double storey terrace houses to homeowners within the stipulated time frame.

Our 448-unit condominium project in Jalan Cochrane, Kuala Lumpur, One Cochrane Residences, is showing steady progress, surpassing the 70% completion mark.

In anticipation of our new development at Mutiara Hills in Semenyih, we have completed the construction of our sales office and showhouse, whilst earthworks and infrastructure are nearing completion.

PROPERTY INVESTMENT AND MANAGEMENT

The segment registered a loss of RM35 million arising from the start-up cost incurred for the recently completed Nucleus Tower as well as challenges faced by our shopping malls.

With a monthly average of 2.4 million visitors, the Curve and eCurve at Mutiara Damansara once again showcased sustained footfall. In an effort to strengthen visitor numbers, the year under review saw the introduction of new outlets at the Curve comprising both local and international establishments. Cotton On Kids, J.Co. Donuts & Coffee, Sushi King, Mr. DIY and Dolly Dim Sum amongst others joined us. In addition, Fly Project, a boutique fitness centre was also added to our tenant line up, consistent with our commitment to support healthy living and promote work-life balance.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DIVISION

Our retail establishments played host to several major events, including the Star Property Fair, iProperty Roadshow, Apple Travel Fair, CIMB Foundation Raya, Kejohanan e-sukan Kampus by Media Prima and the Young CEO Development Programme by Axiata.

MyTOWN Shopping Centre in which we hold a 50% equity, saw a solid growth in popularity, recording average monthly traffic of 1.79 million attributable to a healthy occupancy rate of 97% as well as the many exciting events and promotions undertaken during the year.

In addition, international brands launched their first Malaysian outlet at MyTOWN, namely Chibo, Menya Masamune and Jyu-Jyu Tei and Tenfuku, all hailing from Japan. Moreover, Taobao, Alibaba Group's online shopping platform, also unveiled its largest Taobao store in Malaysia at MyTOWN. Named Taobao Store by Lumahgo, the outlet offers a mix of offline and online shopping possibilities to visitors.

Our MSC certified Nucleus Tower achieved an occupancy rate of 65%. Several multi-national companies signed up as tenants in 2019 including Hapag-Lloyd, Elanco as well as Adidas. Nucleus Tower also emerged as the Champion for Localising Sustainable Development Goals 9: Industry, Innovation and Infrastructure in the Petaling Jaya Sustainable Community Awards organised by Majlis Bandaraya Petaling Jaya.

HOTELS

Our hotels segment reported a loss of RM80 million. The segment's bottom line was particularly impacted by the impairment on Royale Chulan Cherating properties. The segment recorded a weak performance with low occupancy rates across our stable of hotels as a result of competition from new hospitality

Various activities held at Royale Chulan Damansara, MyTOWN and the Curve

MyTOWN interior view

Mutiara Hills Sales Gallery in Semenyih

business models as well as the addition of new hotel rooms in the Klang Valley and Penang.

To combat these factors, we intensified marketing and selling efforts particularly focusing on online travel agents. We also stepped up our digital presence with the launch of our Royale Chulan online booking platform accessible at www.royalechulan.com.my as well as the Royale Chulan application for mobile devices running on Android and iOS.

As a result, we saw an increase in occupancy in the second half of the year even amidst continuing soft market sentiments. However, this was not enough to cushion the impact of the softened average room rate, lower food and beverage revenue as well as the impairment on this business segment.

Our second development within our five-star Royale Chulan Cherating development, comprising 80 chalets, opened its doors for business in July 2019.

As for Royale Chulan Bukit Bintang, the sale has yet to be completed, pending the buyer fulfilling one of the conditions contained in the approval given by the authorities.

OUTLOOK

While the Division expects to face challenges inherent in the sector compounded by the expected impact of the COVID-19 pandemic, we also see opportunities to enhance our prospects over the mid-term.

We will be developing double storey terrace houses in the remaining 42 acres in Taman Mutiara Rini, a guarded and gated residential development that is located in Skudai, Johor Bahru over the next five years. Coupled with this, we will also be focusing on the development of our land in Bukit Raja, Klang, comprising predominantly of industrial plots for which we are expecting encouraging demand based on the enquiries received as well as our registration list.

As for our One Cochrane Residences, we aim to hand over units to homeowners in March 2021. In terms of property management, we look forward to registering a healthier occupancy rate at our Nucleus Tower based on several negotiations that are taking place currently.

Our hotels segment in particular is expected to be impacted by the repercussions of the COVID-19 pandemic which has halted the tourism sector. Nevertheless, led by our team of experienced and professional staff, we expect to weather through the challenging times.

Elegant table setting at Royale Chulan Cherating

MANAGEMENT DISCUSSION AND ANALYSIS

PHARMACEUTICAL DIVISION

KEY DEVELOPMENTS

150 PRODUCTS
HALAL CERTIFIED

25 MONTHS
SECURED EXTENSION WITH MOH

REVENUE
RM2.8 billion

TOTAL ASSETS
RM1.6 billion

THE PHARMACEUTICAL DIVISION BRAVED OUT A TUMULTUOUS YEAR THAT SAW IT RECORDING A LOSS OF RM207 MILLION DESPITE POSTING A STRONGER REVENUE OF RM2.8 BILLION, UP FROM RM2.4 BILLION IN THE PREVIOUS YEAR. THE DIVISION'S RESULTS WERE IMPACTED BY THE RECOGNITION OF THE NON-CASH ACCELERATED AMORTISATION OF THE PHARMACY INFORMATION SYSTEM (PHIS) COSTS COMBINED WITH THE STOCK WRITE-OFF FOR THE VOLUNTARY PRODUCT RECALL OF RANITIDINE.

MANUFACTURING

Amidst a challenging operating environment, the Manufacturing segment registered a profit of RM38 million, lower compared with 2018's RM61 million as we were faced with an overall decline in public sector demand, compounded by increased competition, while private sector margins shrank further.

We leveraged on our Pharmaniaga Integrated Quality System (PIQS), a robust regulatory compliance platform that allows us to integrate all manufacturing quality systems. As a result, we were able to benefit from enhanced market access for export activities, cross-referencing between sites, economies of scale, clear specification of best practices as well as bulk purchasing of excipients and raw materials. As at 2019, 10 PIQS topics were identified and approved, with seven standardised. Ultimately, the intention is to achieve one quality system for all manufacturing sites.

The Division is passionately committed to providing products that are relevant to the healthcare needs of Malaysians. In light of this, we raised awareness on the benefits of our natural sweetener, SweetRoyale Stevia in promoting a healthy lifestyle amongst Malaysians.

As for our wound care management Bio Collagen product, our strategic engagement activities have borne fruit with market acceptance for this range continuing to expand.

Furthering our prospects in the global Halal market, we have achieved Halal certification for more than 150 of our products while five of our manufacturing facilities in Malaysia are Halal-compliant.

MANAGEMENT DISCUSSION AND ANALYSIS

PHARMACEUTICAL DIVISION

We are driven by our motto Passion for Patients which is reflected in everything that we do

LOGISTICS & DISTRIBUTION

The Logistics and Distribution segment recorded a loss of RM220 million due to the one-off non-cash accelerated amortisation for PhIS cost amounting to RM247 million. Given the fact that PhIS is now fully amortised, it is projected to no longer impact our future bottom line.

The Division has successfully secured a contract extension with the Ministry of Health (MOH) for the provision of medicines and medical supplies for 25 months, from 1 December 2019 to 31 December 2021 as well as logistics and distribution services for five years ending 31 December 2024.

Reflecting our commitment to timely and efficient delivery, we achieved 99.6% order fulfilment for MOH comprising 700,000 order lines. We were able to achieve this in the face of the closure of two contract suppliers and the absence of specific raw materials. We were able to overcome the raw materials unavailability through the procurement of alternative materials approved by MOH.

We remain committed to ensure full compliance with relevant standards and requirements. Hence, in our unwavering focus on prioritising strong corporate governance and regulatory effectiveness, we attained the ISO 37001 : 2016 Anti-Bribery Management Systems certification for our subsidiary, Pharmaniaga Logistics Sdn Bhd during the year. This is further testament to the ethical and transparent policies which drive our organisational culture, aligned with international standards.

In keeping our finger on the pulse in terms of the needs of our clientele, we sought feedback via Customer Satisfaction Surveys undertaken with MOH, teaching hospitals under the Ministry of Education (MOE), in addition to private sector clients. We received 'Good' ratings across the board from a majority of respondents. Additionally, 98% of respondents during our dialogue sessions with State Health Departments in Malaysia rated us as 'Excellent' and 'Good'.

As part of our adherence to ISO 18295-1:2017 Customer Contact Centre requirements, the Division's Customer Care Department successfully completed a Surveillance Audit by SIRIM QAS International Sdn Bhd. Pharmaniaga Logistics Sdn Bhd was the only pharmaceutical company in Malaysia to achieve this certification, testament to our elevated levels of service.

During the year, we registered a 15% increase in Approved Products Purchase List (APPL) sales and were able to acquire new clientele under MOE. At the same time, the Division also expanded our supply of medicines, medical devices and disposable items to the Ministry of Defence and Lembaga Tabung Haji.

Creating a safe and clean work environment is part of Pharmaniaga's Do It Right Culture

Pharmaniaga is poised to benefit from the increasing regional trade of pharmaceutical products

Meanwhile, we launched Bupivacaine, Furosemide, Phenytoin and Labetalol, targeted at the private sector. We also partnered with two new principals for patented products treating lung cancer and diabetes.

Given our increased warehouse capacity, we further boosted strategic collaborations with independent pharmacies via our RoyalePharma Alliance Programme, with more than 300 members as part of our expanding Alliance network in 2019. Members under the Alliance programme are provided with the opportunity to not only benefit from greater savings, they are also encouraged to participate in value-added training courses.

INDONESIA

Our Indonesian operations spearheaded by our logistics and distribution subsidiary, PT Millennium Pharmacon International Tbk (MPI) and our manufacturing arm, PT Errita Pharma (Errita), continued to see growth.

MPI posted net sales of IDR2.7 trillion (RM795.1 million) from its 32 branches across Indonesia, a 15% increment compared with IDR2.4 trillion (RM676.1 million) in 2018. All product categories contributed to the growth. In particular, the ethical, medical disposables and over-the-counter segments registered 6%, 14% and 7% growth correspondingly. In addition, private hospitals, pharmaceutical wholesalers, sub-distributors, as well as pharmacies were segments with significant sales growth.

Understanding the importance of strategic marketing, we created a dedicated unit for the marketing and sales of products produced by Errita and our Malaysian operations. Our efforts paid off, resulting in higher sales of MPI's own products and products manufactured by Errita. Our Malaysian-made Citrex range of products also managed to successfully penetrate the local Indonesian market.

Tapping into strong prospects in Indonesia's healthcare sector, we completed the successful commercialisation of 15 new products for therapeutic segments comprising antipyretic, hypolipidemic and antifungal during the year. We also submitted nearly 15 additional products to the Indonesian regulatory body, *Badan Pengawasan Obat dan Makanan* (BPOM), for approval.

RESEARCH & DEVELOPMENT

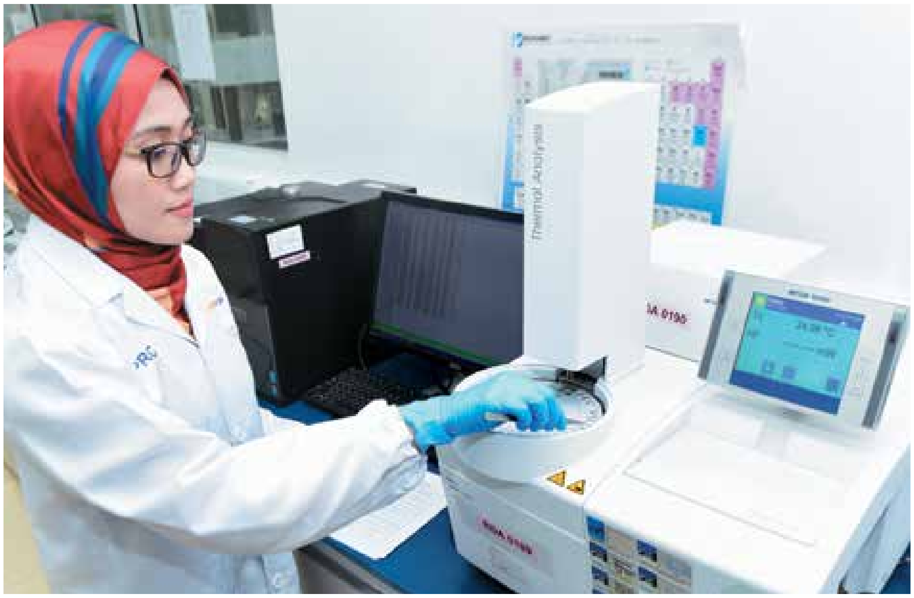
Focused research and development (R&D) initiatives propel the ongoing expansion of our product range. To this end, the year under review saw us obtaining approval for almost 25 new pharmaceutical products, bringing total registered products to date to close to 300.

Globally, we have gained approval for almost 10 new products in 2019, bringing the overall count to over 180 registration approvals spanning more than 15 countries.

Concurrently, an additional 15 applications were submitted to the National Pharmaceutical Regulatory Agency (NPRA). We have submitted close to 100 dossiers to the NPRA up to 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

PHARMACEUTICAL DIVISION



Research & Development is one of the key pillars for business sustainability

Capitalising on our strengths as a European Union (EU) certified plant in Puchong, Selangor, which has the expertise to produce small volume injectables with lyophilised technology, we aim to introduce more products in addition to the five in-house pharmaceutical products launched in 2019.

We are committed to product safety and efficacy. To this end, we perform bioequivalence studies on a continuous basis to ensure our generic products are clinically interchangeable with innovator products. Close to 70 products have achieved bioequivalent status to date, with more in progress.

OUTLOOK

As we move forward into the year ahead, we are honoured to play our part in our nation's battle against the COVID-19 pandemic through the Pharmaceutical Division. As part of our Corporate Responsibility activities, we were assigned as the receiving and distribution centre for donation items on behalf of MOH and the National Disaster Management Agency. To date, a total of 25 companies, organisations and foreign governments have donated millions of units of various medical equipment and Personal Protective Equipment including ventilators, test kits, face masks, gloves and other items, which have all been sent to COVID-19 designated hospitals.

Aside from this, Pharmaniaga has assisted the Government to procure, supply and distribute medical equipment to COVID-19 designated hospitals nationwide. Similarly, these services are provided to the Government-Linked Company (GLC) and Government-Linked Investment Company (GLIC) Disaster Response Network, led by Yayasan Hasanah. We have also responded to requests from hospitals, non-governmental organisations (NGOs), Government agencies and individuals by providing in-kind support such as food packs, hygiene essentials, crowd control equipment and health supplements.

Looking ahead at Pharmaniaga's long-term prospects, MOH's extension of the Logistics and Distribution segment's services is set to be a key contributor to the Group's earnings and we look to continue achieving high standards of service delivery in line with the prescribed Key Performance Indicators. Beyond this extension, we aim to take part in Government tenders and also look to tap into opportunities in the private sector and in global markets.

With feasibility studies ongoing for certain therapeutic segments, we expect to undertake these new projects in 2020. Additionally, we are on track

Quality products and services are extended to customers through our own community pharmacy, RoyalePharma to obtain certification for over 30 Halal pharmaceutical products in 2020 in line with our vision to become a global Halal pharmaceutical leader. Moving forward, we are in the midst of developing an additional range of products for SweetRoyale Stevia in the form of tablets and drops in 2020.

As one of MOH's partners in supplying reasonably priced Hepatitis C treatment to more patients in Malaysia, we are honoured to be able to ensure Hepatitis C treatment is affordable and available at over 80 Government hospitals and clinics. In line with our aim to further increase the affordability of the Hepatitis C treatment, we are registering a new chemical entity. This undertaking is in collaboration with MOH, an international manufacturer of pharmaceutical products as well as the Drugs for Neglected Diseases Initiative.

Tapping into the prospects inherent in the medical devices industry, we will be outfitting the Teaching Hospital of Hospital Universiti Malaysia Sabah, which is expected to be a revenue contributor over the next three years along with the supply of warranty management services for MOH's Medical Equipment Enhancement Tenure Programme for Quantum Medical Systems and Women & Children Specialist Hospital Kuala Lumpur.

Moving forward, the Division will be investing significantly in upgrading manufacturing equipment and in the expansion of our warehouses in 2020 to improve efficiency. We have more than five strategically located storage facilities at present and look to add on to our capacity within the next three years.

Globally, we will continue our efforts in Indonesia as we expand our stable of branches and diversify our product categories. We are also committed to steadily expanding our global presence in the EU and Latin America and have engaged a well-established agency to market our products, with product registration and commercialisation on track for 2021.

We are committed to meeting the needs of our clientele while improving our R&D capabilities to tap into new opportunities in the pharmaceutical sector, keeping in mind the challenges ahead globally as a result of the COVID-19 pandemic.

Strategically located warehouses nationwide are the backbone of our extensive delivery network

MANAGEMENT DISCUSSION AND ANALYSIS

HEAVY INDUSTRIES DIVISION

KEY DEVELOPMENTS

LITTORAL MISSION SHIPS (LMS) HANDED OVER TO RMN

KD KERIS (LMS1)

LAUNCHED

SUNDANG (LMS2)

REVENUE

RM1.1 billion

TOTAL ASSETS

RM2.0 billion

The award of In-Service Support and Refit services for RMN's submarines to BDNC stands testimony to its position of being the trusted provider of submarine services

THE HEAVY INDUSTRIES DIVISION RECORDED A DEFICIT OF RM1.2 BILLION FOR THE FISCAL YEAR AS A RESULT OF IMPAIRMENTS FOR GOODWILL AND AIRCRAFTS AMOUNTING TO RM763 MILLION AND RM80 MILLION, RESPECTIVELY.

THIS WAS RECORDED AGAINST THE BACKDROP OF A VERY CHALLENGING LANDSCAPE IN THE MARINE INDUSTRY. DEMAND FOR NEW SHIPS WAS SLUGGISH WHILE OVERCAPACITY CONTINUED TO IMPACT KEY SHIPPING TRADES AND THE OFFSHORE SUPPORT VESSEL SECTOR. IN ADDITION, FINANCING FOR SHIPBUILDERS REMAINED TIGHT.

BOUSTEAD NAVAL SHIPYARD SDN BHD (BNS) IN LUMUT CONTINUED TO UNDERTAKE THE CONSTRUCTION OF LITTORAL COMBAT SHIPS (LCS), WHILE THE DIVISION'S SHIPYARDS IN PENANG AND LANGKAWI WERE ENGAGED WITH MAINTENANCE, REPAIR AND OVERHAUL (MRO) WORK FOR COMMERCIAL VESSELS AND PRIVATE YACHTS.

DEFENCE & SECURITY

The Statement of Progress signing ceremony between BNS and the Royal Malaysian Navy (RMN) Project Team for the LCS project, marked an encouraging step for the completion of the project.

As for the Littoral Mission Ships (LMS) project, the first of the four units, KD KERIS, was handed over to RMN in 2019, while the second unit of the LMS, SUNDANG was launched in 2019. SUNDANG is expected to be handed over to RMN in due course, after the Movement Control Order (MCO) imposed to curb the spread of the COVID-19 is lifted. The construction of the third and fourth units of the LMS has been impacted by the pandemic, which resulted in a total lockdown in Wuhan, China until mid-April 2020. The construction has since recommenced, while the project milestones will be revised accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

HEAVY INDUSTRIES DIVISION

Our defence and security segment recorded the on-time completion of repair works on RMN's vessels, KD LAKSAMANA TUN ABDUL JAMIL, KD LAKSAMANA HANG NADIM, KD HANG TUAH, KD JERAI, BOT TUNDA, KD SRI INDERASAKTI, and KD MAHAWANGSA, during the period under review.

Additionally, BHIC's subsidiary, BHIC Defence Techservices Sdn Bhd (BDTS) successfully supplied and delivered a RM19.5 million Communication Suite Contract for the RMN's 23rd Frigate Squadron's KD LEKIU and KD JEBAT. BDTS and BNS also completed the Docking for Essential Defects (DED) Programme for KD LEKIR. In addition, BDTS undertook maintenance and supply of spare parts for Skyguard Radar and 35mm Oerlikon Gun for the Malaysian Army.

RMN naval base in Teluk Sepangar near Kota Kinabalu, Sabah

Boustead DCNS Naval Corporation Sdn Bhd (BDNC) performed In-Service Support (ISS) for KD TUNKU ABDUL RAHMAN and accomplished a record for the Technical Availability (TA) days in 2019.

BDNC also performed the Refit maintenance for KD TUN RAZAK, the other RMN submarine. Due to the COVID-19 pandemic and the nationwide MCO imposed by the Malaysian Government to curb its spread, the Refit works have been impacted mainly due to the unavailability of original equipment manufacturers (OEMs).

BHIC AeroServices Sdn Bhd (BHICAS) provided ISS for Royal Malaysian Air Force (RMAF) EC725AP helicopters. It also undertook ISS for six RMN Fennec AS555SN helicopters.

BHICAS also provided maintenance services and integrated logistics support to three of the Malaysian Maritime Enforcement Agency's (MMEA) Dauphin AS365N3 helicopters. In 2019, BHICAS was awarded an extension for its services on the three helicopters for another year, up to 30 June 2020. The original contract was awarded in 2016 and was valued at RM62.58 million.

MHS H225 helicopter flying over Kerteh, Terengganu

COMMERCIAL

Boustead Langkawi Shipyard completed repair works for 48 leisure boats and crafts, 46 ferries and one Government vessel. Boustead Penang Shipyard undertook repair works for small vessels including passenger ferries, fibre boats and dredgers as well as the fabrication of oil tanks.

MHS Aviation Berhad undertook the successful disposal of one of its Super Puma AS332L1 in 2019. It is on the lookout for prospects in the oil and gas sector as it rationalises its aircraft fleet accordingly.

OUTLOOK

Moving forward, we will continue to pursue our ongoing transformation efforts in order to improve our efficiency and productivity while reducing cost.

On the defence front, we are committed to explore prospects and opportunities presented by the RMN's 15to5 Transformation Programme, as well as the Defence White Paper released by Ministry of Defence Malaysia.

However, we remain prepared for the challenging times ahead arising from the impact of the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE & INVESTMENT DIVISION

KEY DEVELOPMENTS

LAUNCHED

AFFINONLINE PLATFORM

NEW CONTACT CENTRE

MYTOWN DIGITAL CONCEPT BRANCH

AFFINPAY

REVENUE

RM206 million

TOTAL ASSETS

RM3.4 billion

THE FINANCE & INVESTMENT DIVISION RECORDED A HIGHER PROFIT OF RM156 MILLION, AN 86% INCREASE COMPARED WITH RM84 MILLION IN 2018, MAINLY DUE TO SHARE OF PROFIT IN OUR JOINT VENTURE COMPANY AND BETTER RESULTS FROM OUR UNIVERSITY OPERATIONS.

AFFIN Bank recorded a profit of RM683 million in 2019, a slight improvement from the previous year's profit of RM679 million.

AFFIN Bank is well on track with its AFFINITY Transformation Programme aimed at transforming the Bank to become a strengthened financial services player with the capacity to create enhanced value for key stakeholders.

Tangible progress has been recorded as part of AFFINITY with the completion of 28 out of 33 projects that have been recognised as key to establishing banking capabilities and strengthening the capacity of employees. We expect to complete the remaining projects in stages by mid-2021.

As a result of AFFINITY, we have registered tangible improvements in net interest margin, income, capital, fee-based income and interest income. We have also been able to shorten turnaround time in order to improve customer experience. Moreover, we have established new departments, policies and procedures that are necessary for the long-term growth of AFFIN Bank.

In addition to the AFFINITY Transformation Programme, AFFIN Bank also continued the implementation of its Strategic Risk Programme expected to enhance risk function through the implementation of strategic initiatives and projects over the course of three years commencing 2018.

In line with AFFIN Bank's Priority Islamic Policy which is aligned with Bank Negara Malaysia (BNM)'s 10-year Financial Sector Strategic Blueprint, in 2019, AFFIN Islamic's contribution to AFFIN Bank's portfolio was 41%, allowing us to meet BNM's target one year ahead of schedule.

We continued to implement initiatives promoting AFFIN Bank's Big Six DNA values of AFFIN First, Resourceful, Synergistic, Risk Culture, Ethical and Customer Focus in order to ingrain a performance driven culture at AFFIN. We are identifying new initiatives to fortify sustainability and drive transformation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE & INVESTMENT DIVISION

Costa Venezia makes maiden call to Boustead Cruise Centre, Port Klang

In line with AFFIN Bank's focus on digitalisation particularly to enhance customer experience levels, the Affin Digital roadmap is centred on creating a wide-ranging set of digital banking solutions that are easy to utilise, secure as well as reliable. As part of our digitalisation journey, we have launched a new AffinOnline platform, our new Contact Centre, MyTOWN Digital Concept Branch and AffinPay. We have also implemented a Digital Imaging System. Our digital capabilities were recognised through several awards achieved in 2019.

Affin Islamic Bank Berhad reported a lower PBT of RM93 million in 2019 compared with RM155 million for the financial year ended 31 December 2018 as a result of lower net finance income, higher overhead expenses and allowance for credit impairment losses which offset the higher net gain on financial instruments.

Affin Hwang Investment Bank Berhad (Affin Hwang Capital) registered an increased profit of RM175 million in 2019 due to the higher gain from the sale of its financial instruments, which was partially offset by the reduction in nett fee, commission income and net interest income.

Affin Hwang Capital partnered with Daiwa Securities Group Inc. of Japan to become the Joint Lead Arranger and Bookrunner for the Malaysian Government's JPY200 billion (RM7.34 billion) Samurai Bond. This marked Malaysia's first Japanese yen bond since 1989. Additionally, Affin Hwang Capital was also the only Malaysian bank to participate in the bond.

Apart from the Samurai Bond, Affin Hwang Capital was the Principal Adviser, Joint Lead Arranger and Joint Lead Manager for Konsortium KAJV Sdn Bhd's RM1.0 billion Sukuk Wakalah to finance the State of Terengganu's water treatment plant project.

AXA Affin Life Insurance Berhad recorded a slightly higher pre-tax loss of RM7.6 million, mainly due to higher underwriting profit and better investment income. The company registered an 8.4% improvement in Net Business Value, due to higher Annual Premium Equivalent.

AXA Affin General Insurance Berhad reported a reduced after tax profit of RM67 million owing to lower earned premium compounded by higher claims incurred in relation to Motor and Personal Accident policies.

Boustead Travel Services Sdn Bhd reported a profit of RM4.7 million for the year under review. The company's partnership with the Australian listed travel management firm CTM Global Partners proved fruitful given the incremental contribution from global corporate clients. The company's efforts in spearheading digitalisation through the introduction of online booking tools was met with positive results.

Moving forward the company is looking into partnering with online travel agents to futureproof its business model.

Boustead Cruise Centre Sdn Bhd recorded weaker results for 2019 primarily due to a decline in the cruise segment as a result of a substantial drop in bookings from cruise operators. During the year under review, a total of 158 international cruise vessels docked at the terminal, indicating a 25% decline compared with 2018.

However, the terminal attracted additional calls from Genting Cruise and a maiden overnight port stay by Norwegian Cruise.

With the infrastructure improvements taking place including deepening of existing facilities to allow safer navigation as well as a new water tank to supply fresh water to ships, we anticipate more calls by larger cruise vessels once the cruise sector regains its momentum given the current uncertainties caused by the COVID-19 pandemic.

Boustead Shipping Agencies Sdn Bhd posted a profit of RM1.7 million with earnings coming from the company's core business in air freight and sea freight forwarding services. The volume increase in shipment from Boustead Group companies also contributed to the results.

Aerial view of the University of Nottingham Malaysia

The University of Nottingham Malaysia wins the Best Career Centre of the Year 2019

Boustead Credit Sdn Bhd recorded a drop in its results due to poor sales volume and the closure of a non-performing branch. The company is on the lookout for new business prospects while focusing on ensuring prudent financial practices are adhered to.

University of Nottingham in Malaysia Sdn Bhd recorded a 2.5% increase in enrolment of foundation and undergraduate students compared with the previous year as well as a higher tuition revenue.

The University's Bangladesh College Education Development Project, which is funded by the World Bank, has contributed positively to the Group and is expected to continue contributing positively for the next two years.

The University published a new strategy as a result of feedback from staff and students across our campuses in the United Kingdom, China and Malaysia, encompassing a core vision and set of values that will be implemented in 2020.

Reflective of the University's commitment to educational excellence, the University was named Best Career Centre of the Year at Malaysia's 100 Leading Graduate Employers Awards in 2019. Moreover, the University was also recognised as one of the top five brands in education and learning as part of the Graduate's Choice Award 2019.

Cadbury Confectionery Malaysia Sdn Bhd recorded another year of positive results, with a 13% growth in sales in 2019. The increment in domestic sales was primarily due to the successful rollout of a new product, the Cadbury Dairy Milk Bubbly as well as our limited-edition Durian flavour range. We also executed strategic campaigns in 2019 including a tie-up with the English Premium League and local cartoonist, Lat. Our efforts allowed us to once again extend our lead in terms of market leadership.

Drew Ameroid (M) Sdn Bhd reported an increase in profit once again mainly attributable to the company's water, pulp and paper chemical sales. Moving forward, prospects are positive with the procurement of several new projects as well as equipment sales.

Kao (Malaysia) Sdn Bhd registered a 9% increment in sales which translated into a profit increase of 18%. The beauty care category was the company's main contributor. During the year, the company's efforts to strengthen the brand image of its products were fruitful with Biore UV achieving the top spot in terms of market share. At the same time, marketing campaigns were executed for other brands including Curel, Merries, Attack and Magiclean.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADING & INDUSTRIAL DIVISION

KEY DEVELOPMENTS

LAUNCHED
12 NEW
RETAIL STATIONS

REVENUE
RM5.1 billion

TOTAL ASSETS
RM1.7 billion

THE TRADING & INDUSTRIAL DIVISION DELIVERED A HIGHER PROFIT BEFORE TAX OF RM157 MILLION, DRIVEN BY STRONG CONTRIBUTION FROM BOUSTEAD PETROLEUM MARKETING.

Boustead Petroleum Sdn Bhd posted a profit of RM147 million for the year under review on the back of healthy growth momentum in our major business segments, steady operational improvements, positive operating margins as well as stockholding gains.

A total of 12 new retail stations were launched in 2019 while an additional six service stations are undergoing the necessary approval process by the authorities. As a direct result of our network expansion initiative and further strengthened by our improved customer loyalty programme, BHPetrol was able to record a commendable petrol capacity growth of 3% in 2019.

In line with our efforts in strengthening the income contribution of our non-fuel business segment, we have intensified our endeavour to expand the availability of fast food restaurants within our station networks. We have also moved to intensify our partnership with established franchise food service providers including McDonald's, Subway and TeaLive.

BHPetrol successfully completed a pipeline interlinking project at the Pasir Gudang Liquefied Petroleum Gas (LPG) plant as part of a collaboration with two other oil companies. We undertook a cargo pipeline extension project at the West Port LPG joint-venture plant. Both projects are expected to work to relieve operational constraints at the respective plants while decreasing delays triggered by congestion at the jetties.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADING & INDUSTRIAL DIVISION

Group photo of UAC employees at ARCHIDEX '19

UAC products on display at ARCHIDEX '19

UAC Berhad Group (UAC) recorded a profit of RM12.0 million amidst a backdrop that featured a slowdown in the Malaysian construction sector. As a result, sales of UAC's Industrial Building System (IBS) products were affected negatively. However, this was cushioned by strong export market demand for fibre cement products such as UCO Superflex Boards and DecoWood products.

During the year, UAC entered into a partnership with Kementerian Pembangunan Luar Bandar to design and build houses for Program Perumahan Rakyat Termiskin (PPRT). Response for the programme has been encouraging as demonstrated by the hundreds of homes already under construction.

Another key project for 2019, the construction of 80 new chalets at Royale Chulan Cherating, was successfully completed during the year, primarily utilising IBS Wall Systems as well as fibre cement products.

We also improved awareness for the UAC range of products through our branding initiatives via public seminars, trade exhibitions and roadshows in 2019.

UAC's other subsidiary, Boustead Global Risk Solution Sdn Bhd contributed positively while UAC's associate company, Boustead Wah Seong Sdn Bhd, which operates in Yangon, Myanmar posted a loss due to headwinds in the Myanmar economy.

Boustead Building Materials Sdn Bhd registered a loss of RM1.5 million in 2019. Higher progress claims from ongoing projects which increased turnover for the year, were not able to cushion the impact of stifled margins as a result of the prolonged slowdown in the construction sector.

This situation was compounded by the property overhang. At the same time, we also faced slow payments from contractors and dealers.

BHPetromart for priority customer conveniences

AUDIT COMMITTEE REPORT

MEMBERS AND MEETINGS

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

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Abraham Verghese a/l TV Abraham[1] *(Appointed w.e.f. 15 July 2019)*	Independent Non-Executive Director (Chairman of the Committee)	Yes	2/2
Datuk Zainun Aishah Ahmad *(Appointed w.e.f. 15 August 2019)*	Senior Independent Non-Executive Director	Yes	2/2
Loong Caesar *(Appointed w.e.f. 15 August 2019)*	Independent Non-Executive Director	Yes	2/2
Lieutenant General Dato' Fadzil Mokhtar (R) *(Appointed w.e.f. 15 August 2019)*	Independent Non-Executive Director	Yes	2/2
Izaddeen Daud[2] *(Appointed w.e.f. 18 May 2020)*	Independent Non-Executive Director	Yes	0/0[2]
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad *(Retired w.e.f. 24 April 2019)*	Senior Independent Non-Executive Director (former Chairman of the Committee)	Yes	2/2
Datuk Francis Tan Leh Kiah *(Resigned w.e.f. 31 July 2019)*	Independent Non-Executive Director	Yes	3/3
Datuk Azzat Kamaludin *(Resigned w.e.f. 31 July 2019)*	Non-Independent Non-Executive Director	No	3/3

Notes: [1] The Audit Committee Chairman's profile can be viewed on page 21 of this Annual Report.
[2] Encik Izaddeen Daud was appointed to the Audit Committee on 18 May 2020.

The Audit Committee membership is in line with Paragraph 15.09 & 15.10 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities and Malaysian Code on 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; and
- The Chairman of the Audit Committee is not the Chairman of the Board

The Audit Committee meetings were also attended by the Managing Director, Group Finance Director and Head of Group Internal Audit at the Audit Committee's invitation and as and when appropriate. The Audit Committee also met with the external auditors during the year on two separate sessions. 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 pages 96 to 100 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 MFRS 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 2019.

AUDIT COMMITTEE REPORT

External Audit

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

1. Reviewed the 2019 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 reports 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 2019.

7. Reviewed the external auditors' management letter(s) and management response(s).

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 2019.

The external auditor's non-audit service fees and the statutory audit fees are available on pages 118, 179 and 277 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 Audit Committee Report and Corporate Governance Overview Statement and recommended to the Board for approval prior to their inclusion in the Company's annual report.

Related Party Transactions

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.

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 24 April 2019.

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.

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.

AUDIT COMMITTEE REPORT

Group Internal Audit has in total 33 internal auditors as at 31 December 2019, 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	21%
Total	**9**	**27%**

During the year, Group Internal Audit had completed and issued internal audit reports for 120 assignments based on the approved annual audit plan and ad hoc requests from the Audit Committee and Management.

The audits conducted in 2019 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 function had undertaken the following activities:

Prepared the annual audit plan for approval by the Audit Committee.

Performed risk-based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports.

Issued internal audit reports to the Management on risk management, control and governance issues identified from the risk-based audits together with recommendations for improvements for these processes.

Undertook ad-hoc reviews and investigations on matters arising from the audits and/or requested by the Management and/or Audit Committee and issued reports accordingly to the Management.

Reported on a quarterly basis to the Management Audit Committee and Audit Committee on significant risk management, control and governance issues from the internal audit reports issued, the results of investigations and special reviews undertaken and the results of follow-up of matters reported.

Reported on a quarterly basis to the Audit Committee the achievement of the audit plan and status of resources of Group Internal Audit function.

Conducted regular follow-up and monitoring on the implementation of recommendations made by Group Internal Audit to ensure that appropriate corrective actions are taken on a timely basis or within agreed timelines.

Liaised with the external auditors to maximise the use of resources and for effective coverage of the audit risks.

Reviewed the procedures relating to related party transactions entered into by the Group to ensure that the related party transactions have been conducted on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders.

Conducted workshops and communication sessions with the Management and operational staff on internal controls, internal audit observations and proposed action plans on the areas covered during the audit processes.

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

The total cost incurred for Group Internal Audit function in respect of the financial year ended 31 December 2019 amounted to RM4.4 million (2018: RM5.3 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, **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, Risk 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 2019 except:

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.

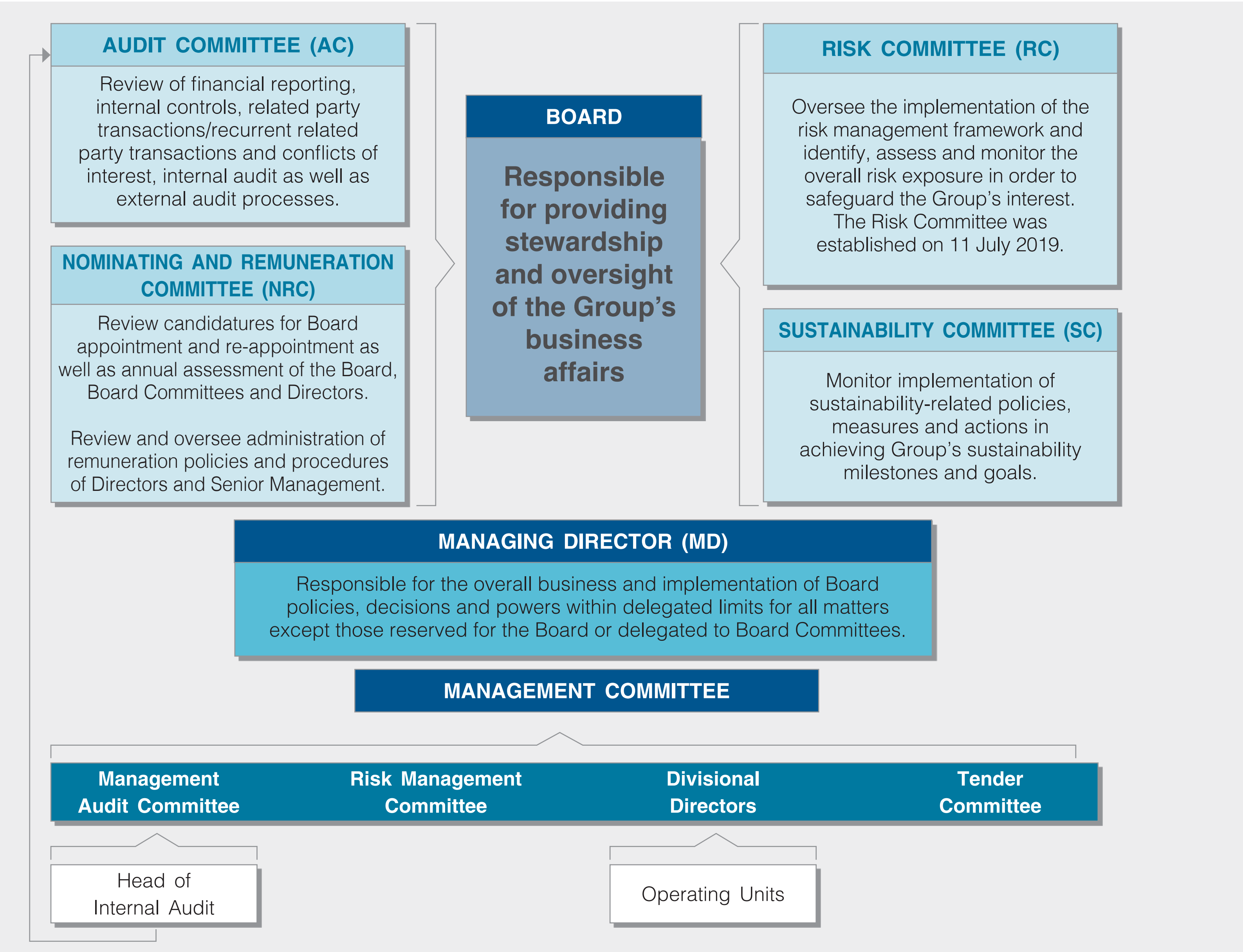
In line with the latitude accorded in the application mechanism of MCCG, the Company has provided explanations for the departures from the said practices supplemented with a description on the alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

BOARD'S ROLES AND RESPONSIBILITIES

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



As depicted in the 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, **www.boustead.com.my** and was last reviewed on 28 August 2019.

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 Committee meetings during the financial year 2019 is outlined below:

Director	Board	Audit Committee	Nominating Committee[4]	Remuneration Committee[4]	Risk Committee[5]	Nominating and Remuneration Committee	Sustainability Committee
Executive Directors							
Dato' Sri Amrin Awaluddin *(Appointed w.e.f. 6 May 2019)*	5/6						
Dato' Sri Ghazali Mohd Ali[2]	4/4						
Independent Non-Executive Directors							
Datuk Zainun Aishah Ahmad	8/8	2/2			2/2		2/2
Abraham Verghese a/l TV Abraham[1]	4/4	2/2			2/2	2/2	
Lieutenant General Dato' Fadzil Mokhtar (R)[1]	4/4	2/2				2/2	2/2
Dato' Nonee Ashirin Dato' Mohd Radzi[1]	4/4				2/2		2/2
Loong Caesar[1]	4/4	2/2			2/2	2/2	
Izaddeen Daud *(Appointed w.e.f. 18 May 2020)*	0/0	0/0					
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad[3]	2/2	2/2	2/2	4/4			1/1
Datuk Francis Tan Leh Kiah[2]	3/4	3/3					1/1
Non-Independent Non-Executive Directors							
Dato' Seri Mohamed Khaled Nordin *(Appointed w.e.f. 1 May 2020)*	0/0						
Nik Amlizan Mohamed	7/8					2/2	1/2
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)[2]	4/4		3/3	4/4			
Datuk Azzat Kamaludin[2]	4/4	3/3	3/3	4/4			

[1] *Appointed w.e.f. 15 July 2019.*
[2] *Resigned w.e.f. 31 July 2019.*
[3] *Retired as Director at the conclusion of the 57th Annual General Meeting (AGM) of the Company held on 24 April 2019.*
[4] *Nominating Committee was merged with Remuneration Committee on 11 July 2019 and is now known as Nominating and Remuneration Committee.*
[5] *Risk Committee was established on 11 July 2019.*

Board/Board Committee Chairman
Member

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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, **www.boustead.com.my**.

BOARD COMPOSITION

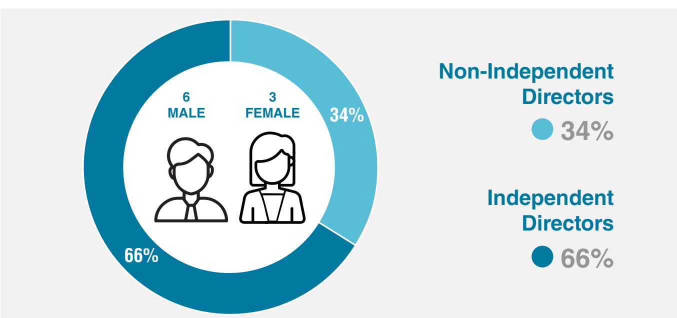
The Board of Directors comprised nine members, one of which is an Executive Director and eight are Non-Executive Directors. Six of the Directors are Independent Directors which is in excess of the MMLR one third.

Recognising that the Group is a diversified conglomerate with six core businesses – plantation, property, 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.

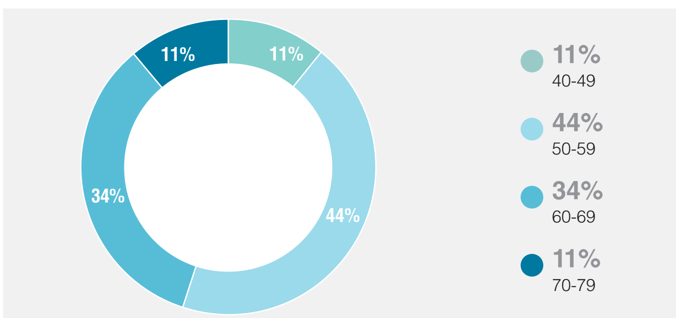
Appointments to the Board are made via a formal, rigorous and transparent process, premised on meritocracy and taking into account objective criteria such as qualification, skills, experience, professionalism, integrity and diversity needed on the Board in the context of the Group's strategic direction. In the case of Independent Directors, the NRC assesses the candidate's ability to bring the element of detached impartiality and objective judgement to boardroom deliberations. 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, with the assistance of the NRC, regularly assesses the skills, experience, independence and diversity required collectively for the Board to effectively fulfil its role. The Board was satisfied that there was mutual respect among Directors which contributed to a democratic environment so as to constructively deliberate and undertake a robust decision-making process.

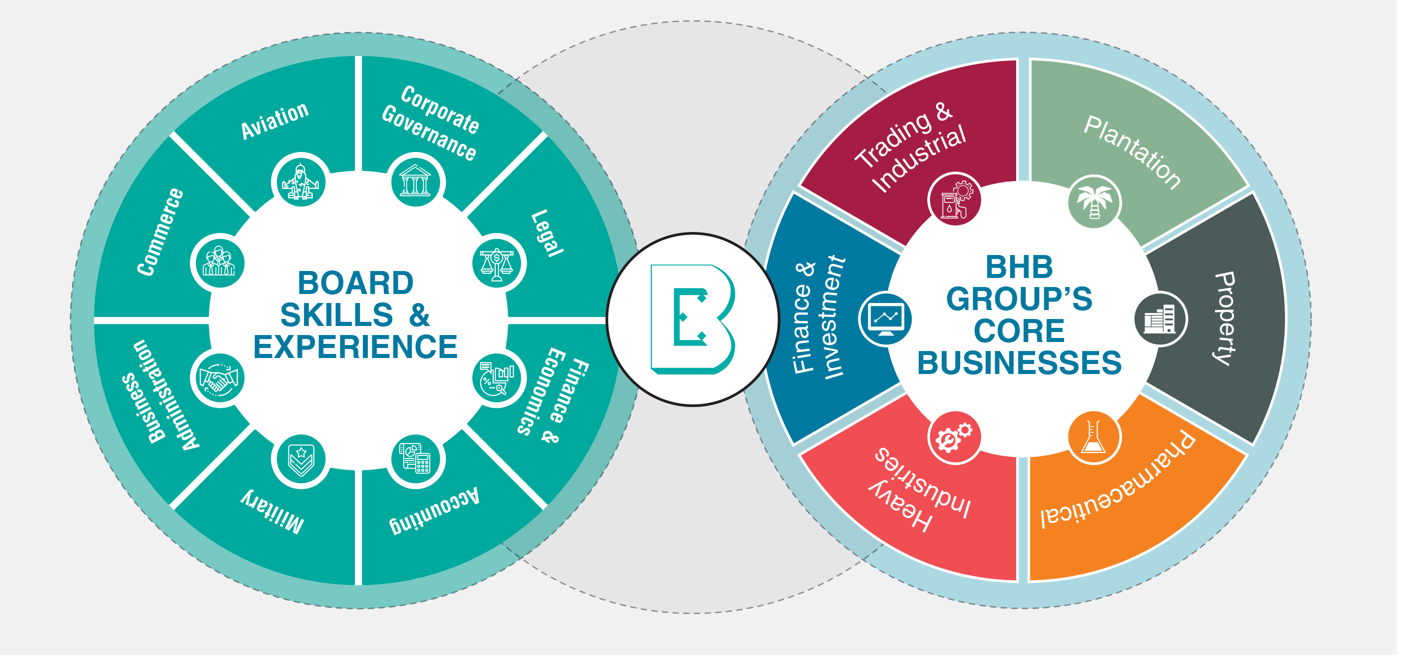
BOARD COMPOSITION



AGE COMPOSITION



BOARD SKILLS AND EXPERIENCE



The Board reviews its performance, and that of Board Committees and individual Directors on an annual basis based on a set of predetermined criteria in a process that is facilitated by the NRC. During the year under review, the NRC's key activity was to assess the overall Board and Board Committees' performance and effectiveness as a whole. The Board was satisfied with level of commitment of its Directors in fulfilling the Board's fundamental roles and responsibilities.

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 NRC recommendation on the re-election of the relevant Directors at the forthcoming Annual General Meeting (AGM).

In reviewing the independence of Independent Directors, the NRC 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.

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.

The NRC which comprises a majority of Non-Executive Directors is also responsible on remuneration matters. The NRC 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Remuneration details of the Directors for the financial year ended 31 December 2019 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							
Dato' Sri Amrin Awaluddin	–	1,152.3	–	196.5	–	40.5	1,389.3
Dato' Sri Ghazali Mohd Ali*	–	786.7	151.6	155.8	–	53.2	1,147.3
Non-Executive Directors							
Datuk Zainun Aishah Ahmad	130.6	–	–	–	27.0	–	157.6
Nik Amlizan Mohamed	122.3	–	–	–	22.0	–	144.3
Abraham Verghese a/l TV Abraham	71.6	–	–	–	16.5	–	88.1
Lieutenant General Dato' Fadzil Mokhtar (R)	66.1	–	–	–	16.5	–	82.6
Dato' Nonee Ashirin Dato' Mohd Radzi	57.8	–	–	–	13.5	–	71.3
Loong Caesar	66.1	–	–	–	16.5	–	82.6
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)*	197.7	–	–	–	63.3	85.8	346.8
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad#	51.8	–	–	–	16.0	–	67.8
Datuk Azzat Kamaludin*	142.3	–	–	–	42.0	–	184.3
Datuk Francis Tan Leh Kiah*	83.4	–	–	–	14.0	–	97.4
Total	**989.7**	**1,939.0**	**151.6**	**352.3**	**247.3**	**179.5**	**3,859.4**

Note: *Dato' Seri Mohamed Khaled Nordin and Encik Izaddeen Daud, who were appointed to the Board on 1 May 2020 and 18 May 2020 respectively, did not receive any remuneration from the Group for financial year ended 31 December 2019.*

* *Resigned w.e.f. 31 July 2019.*

Retired as Director at the conclusion of the 57th AGM of the Company held on 24 April 2019.

In RM'000	Company						
Directors	**Fees**	**Salaries**	**Bonuses**	**Retirement funds**	**Meeting, travelling and other allowances**	**Benefits in kind**	**Total**
Executive Directors							
Dato' Sri Amrin Awaluddin	–	1,152.3	–	196.5	–	40.5	1,389.3
Dato' Sri Ghazali Mohd Ali*	–	–	–	–	–	–	–
Non-Executive Directors							
Datuk Zainun Aishah Ahmad	130.6	–	–	–	27.0	–	157.6
Nik Amlizan Mohamed	122.3	–	–	–	22.0	–	144.3
Abraham Verghese a/l TV Abraham	71.6	–	–	–	16.5	–	88.1
Lieutenant General Dato' Fadzil Mokhtar (R)	66.1	–	–	–	16.5	–	82.6
Dato' Nonee Ashirin Dato' Mohd Radzi	57.8	–	–	–	13.5	–	71.3
Loong Caesar	66.1	–	–	–	16.5	–	82.6
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)*	108.5	–	–	–	51.3	85.8	245.6
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad#	51.8	–	–	–	16.0	–	67.8
Datuk Azzat Kamaludin*	66.3	–	–	–	23.0	–	89.3
Datuk Francis Tan Leh Kiah*	83.4	–	–	–	14.0	–	97.4
Total	**824.5**	**1,152.3**	**–**	**196.5**	**216.3**	**126.3**	**2,515.9**

Note: *Dato' Seri Mohamed Khaled Nordin and Encik Izaddeen Daud, who were appointed to the Board on 1 May 2020 and 18 May 2020 respectively, did not receive any remuneration from the Company for financial year ended 31 December 2019.*

* *Resigned w.e.f. 31 July 2019.*

Retired as Director at the conclusion of the 57th AGM of the Company held on 24 April 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

AUDIT COMMITTEE (AC)

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 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 a risk management policy and procedures for the oversight and management of risks. The Group, through the Risk Management Committee (a Management level Committee), maintains detailed risk registers which are reviewed and updated on a quarterly basis. Key focus areas of risks are then reported and deliberated at the Risk Committee and Board of Directors' meetings. In line with Step Up 9.3 of the MCCG, the Risk Committee was established on 11 July 2019 with the majority of its members being Independent Directors.

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 a Group 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 relations 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, Managing Director, 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.

In light of the current Coronavirus Disease (COVID-19) pandemic, BHB has accelerated its initiative to implement remote shareholders' participation and online remote voting at the 58th AGM by leveraging on technology in accordance with Section 327(1) and (2) of the Companies Act 2016. Shareholders who attend the 58th AGM via remote participation will also be able to submit any questions during the AGM for the Company to respond. Shareholders are encouraged to take advantage of the said technology to participate in the AGM.

NOTICE OF AGM

Date of AGM :	22 July 2020
Venue	**:** Royale Chulan Damansara, Petaling Jaya

CORPORATE GOVERNANCE FOCUS AND INITIATIVES

The Board is committed towards continuous enhancement of governance practices throughout the Group. In 2019, the Group has undertaken the following activities:

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.

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.

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 NRC was satisfied with the type of programmes attended by each Director during the year to enhance their knowledge and performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Name	Programme title and Organiser	Date(s)
Executive Directors		
Dato' Sri Amrin Awaluddin	• A Boardroom Colloquium on Innovation Governance by Emeritus Professor Jean Philippe Deschamps	13 February 2019
	• Invitation for Result-to-Action (R2A) Workshop	15 February 2019
	• PNB Leadership Forum 2019 [Permodalan Nasional Berhad (PNB)]	5 March 2019
	• MIDF Green Conference [Malaysian Industrial Development Finance Berhad (MIDF)]	21 March 2019
	• Workshop on Brexit and United Kingdom Economy (Standard Chartered Bank)	21 March 2019
	• Kuala Lumpur Business Club – Fireside Chat with Tun Daim Zainuddin (Malaysian Moving Forward)	10 May 2019
	• Board Induction (Boustead Plantations Berhad)	15 August 2019
	• Board Induction Boustead Holdings Berhad (BHB)	21 August 2019
	• Financing the Sustainability Development Goals – Private Sector Role (Evenbrite)	11 September 2019
	• KLBC – Fireside Chat with Kamala Lakhdir, the United States (US) Ambassador to Malaysia (US and Malaysia Relations)	17 September 2019
	• Khazanah Megatrends Forum 2019 [Khazanah Nasional (Khazanah)]	7 – 8 October 2019
	• Seminar on Budget 2020 – Ministry of Finance (CIMB Investment Bank Berhad)	14 October 2019
	• International Directors Summit [Institute of Corporate Directors Malaysia (ICDM)]	14 October 2019
	• Group-Wide Training Programme for Board Members and Senior Management Team [Lembaga Tabung Angkatan Tentera (LTAT) and BHB]	29 October 2019
	• Board Retreat 2019 (BHB)	12 – 13 November 2019

Name	Programme title and Organiser	Date(s)
Executive Directors (cont'd.)		
Dato' Sri Ghazali Mohd Ali *(Resigned w.e.f. 31 July 2019)*	• Seminar Integrating Town Planning & Land Law in Malaysia (Kelab Sukan dan Kebajikan Perancang Bandar Malaysia)	28 March 2019
	• Khazanah Megatrends Forum 2019 (Khazanah)	7 – 8 October 2019
	• Property Division Business Planning and Leadership Workshop (Mutiara Rini Sdn Bhd)	17 – 20 October 2019
	• Group-Wide Training Programme for Board Members and Senior Management Team (LTAT and BHB)	29 October 2019
Independent Non-Executive Directors		
Datuk Zainun Aishah Ahmad	• Preparation for Corporate Liability on Corruption [Malaysian Institute of Corporate Governance (MICG)]	30 January 2019
	• PNB Leadership Forum 2019 (PNB Research Institute)	25 June 2019
	• Bursa Malaysia Thought Leadership Series [Bursa Malaysia Berhad (Bursa Malaysia)]	23 August 2019
	• Group-Wide Training Programme for Board Members and Senior Management Team (LTAT and BHB)	29 October 2019
	• Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009 (Bursa Malaysia)	4 November 2019
	• Audit Oversight Board Conversation with Audit Committees [Securities Commission Malaysia (SC)]	8 November 2019
	• Board Retreat 2019 (BHB)	12 – 13 November 2019
	• Emerging Risks and The Future Board: Boardroom Governance in a Volatile, Uncertain, Complex and Ambiguous World (British American Tobacco (Malaysia) Berhad)	27 November 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name	Programme title and Organiser	Date(s)
Independent Non-Executive Directors (cont'd.)		
Abraham Verghese a/l TV Abraham	• Leading and Creating Breakthrough with Innovative Thinking (J Bravo Low & Co)	28 March 2019
	• Mandatory Accreditation Programme [The ICLIF Leadership and Governance Centre (ICLIF)]	11 – 12 April 2019
	• Audit Committee Conference 2019 [Malaysian Institute of Accountants (MIA) and the Institute of Internal Auditors (IIA)]	15 April 2019
	• Demystifying the Diversity Conundrum: The Road to Business Excellent (Robert Ford)	15 August 2019
	• Board Induction (BHB)	21 August 2019
	• Affin Bank Group Board of Directors and Senior Management Half Day Training on Cyber Security Awareness (Affin Bank Berhad)	3 October 2019
	• MACC Section 17A and Corruption (Ernst & Young)	10 October 2019
	• International Directors Summit (ICDM)	14 – 15 October 2019
	• MIA Conference 2019 (MIA)	22 – 23 October 2019
	• Group-Wide Training Programme for Board Members and Senior Management Team (LTAT and BHB)	29 October 2019
	• Audit Oversight Board Conversation with Audit Committees (SC)	8 November 2019
	• Board Retreat 2019 (BHB)	12 – 13 November 2019
Lieutenant General Dato' Fadzil Mokhtar (R)	• Board Induction (BHB)	21 August 2019
	• Group-Wide Training Programme for Board Members and Senior Management Team (LTAT and BHB)	29 October 2019

Name	Programme title and Organiser	Date(s)
Independent Non-Executive Directors (cont'd.)		
Dato' Nonee Ashirin Dato' Mohd Radzi	• Board Induction (BHB) • Group-Wide Training Programme for Board Members and Senior Management Team (LTAT and BHB) • Board Retreat 2019 (BHB) • Mandatory Accreditation Programme (ICLIF)	21 August 2019 29 October 2019 12 – 13 November 2019 21 – 22 November 2019
Loong Caesar	• The Role of Audit Committees in Ensuring Organisational Integrity, Risk and Governance (ICDM) • Advocacy Programme on Demystifying the Diversity Conundrum: The Road to Business Excellence (Bursa Malaysia) • Board Induction (BHB) • Group-Wide Training Programme for Board Members and Senior Management Team (LTAT and BHB) • Board Retreat 2019 (BHB)	9 – 10 April 2019 14 August 2019 21 August 2019 29 October 2019 12 – 13 November 2019
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad *(Retired as Director at the conclusion of the 57th AGM of the Company held on 24 April 2019)*	Nil	–
Datuk Francis Tan Leh Kiah *(Resigned w.e.f. 31 July 2019)*	• Half Day Seminar on How To Develop Integrated Reports (MICG) • MAICSA Annual Conference 2019: Next Dimension in Governance [Malaysian Institute of Chartered Secretaries and Administrators (MAICSA)]	28 February 2019 2 – 3 July 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name	Programme title and Organiser	Date(s)
Non-Independent Non-Executive Directors		
Nik Amlizan Mohamed	• CIMB 11th Annual Malaysia Corporate Day (CIMB Bank Berhad)	3 January 2019
	• Invest Malaysia Kuala Lumpur 2019 (Bursa Malaysia and Maybank)	19 March 2019
	• Assessment of the Board, Board Committees and Individual Directors (MICG)	14 August 2019
	• Khazanah Megatrends – Building our Collective Brain (Khazanah)	7 – 8 October 2019
	• Group-Wide Training Programme for Board Members and Senior Management Team (LTAT and BHB)	29 October 2019
	• PNB Corporate Summit 2019 (PNB)	30 October 2019
	• Board Retreat 2019 (BHB)	12 – 13 November 2019
	• Bengkel Hala Tuju Perhebat (Ministry of Defence)	14 – 15 November 2019
	• IIC SIDC Corporate Governance Convention [Institutional Investors Council (IIC) and Securities Industry Development Corporation (SIDC)]	18 – 19 November 2019
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R) *(Resigned w.e.f. 31 July 2019)*	Nil	–
Datuk Azzat Kamaludin *(Resigned w.e.f. 31 July 2019)*	Nil	–

CORPORATE GOVERNANCE PRIORITIES (2020 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 three female Directors (representing 33% of the Board). While this gender diversity is encouraging, any appointment shall always be in the best interest of the Company.

YEAR 2021-2022

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 2019 which was prepared in accordance with Practice 9.1 & 9.2 of the Malaysian Code on Corporate Governance (MCCG) and the "Statement of Risk Management and Internal Control – Guidelines for Directors of Listed Issuers".

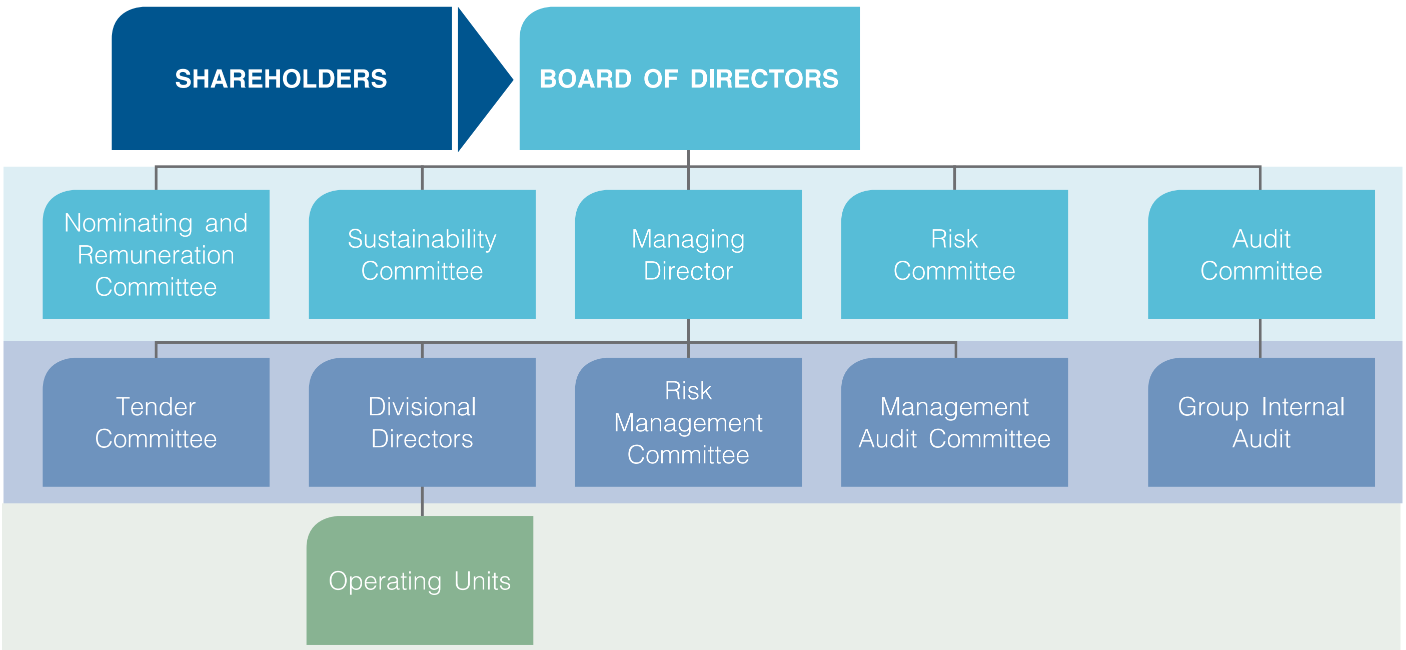
BOARD RESPONSIBILITY

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

The Group's system of internal control covers risk management and financial, operational and compliance controls. The Board does not regularly review internal control systems of associates and joint ventures, as the Board does not have direct control over their operations. Notwithstanding the above, the Group's interests are served through representation on the boards of the respective companies and the receipt and review of management accounts and 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.

This is evident with the establishment of the Risk Committee on the Board in July 2019. The Risk Committee assists the Board in providing holistic oversight on Risk Management of the Group. The Risk Committee composition and roles and responsibilities are detailed on pages 107 and 108 of this annual report.

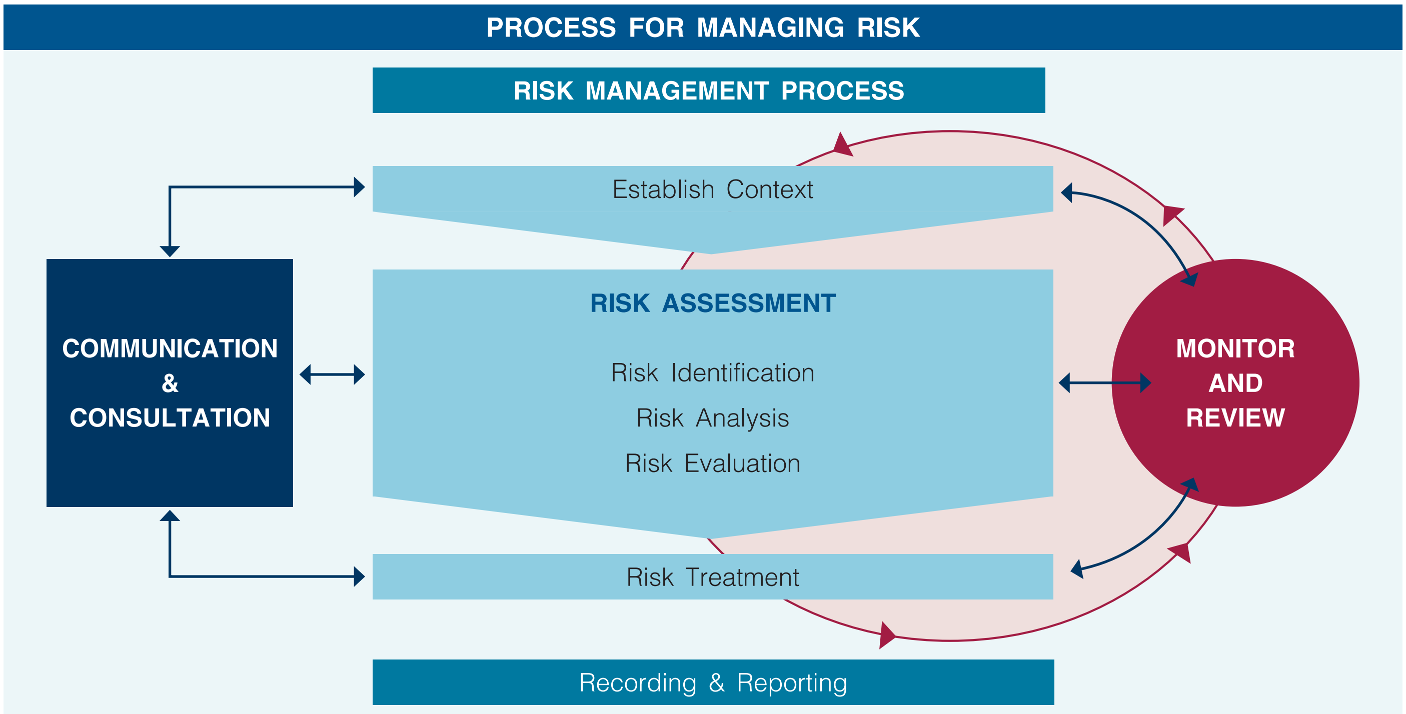
Additionally, the Board has established a risk management policy and procedures and adopted a structured and systematic risk assessment, monitoring and reporting which are tailored to the specific circumstances of the Group. The Group's risk management practices are generally aligned with the principles of ISO 31000, which is an internationally accepted risk management framework.

The risk management policy and procedures are designed to:

- Establish the context for an embedded Enterprise Risk Management practice within Boustead Holdings Berhad and its subsidiaries;
- Formalise the Enterprise Risk Management functions across the Group;
- Sensitise staff more strongly to risk identification, measurement, control, ongoing monitoring, responsibilities and accountabilities;
- Coordinate and standardise the understanding and application of Enterprise Risk Management within the Group; and
- Prove compliance by Board of Directors with its organisational obligations and duties of care and diligence in accordance with the Main Market Listing Requirements by Bursa Malaysia and Malaysian Code on Corporate Governance.

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

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



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Enterprise Risk Management is a core management competency that incorporates a well-structured systematic process to identify risks and lessen their impact on the Group.

This involves the following core elements:

- The identification of each risk;
- The measurement of the identified risks;
- The control or the way the risk is managed in line with the needs of the Boustead Group's policies and strategies; and
- Constant monitoring and communicating of risks associated with any activity, function, or process in a way that enables the Group to minimise losses and maximise opportunities.

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

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 established a robust risk management framework to identify, evaluate, address, report and monitor key risk management issues. These issues pertain to effective governance and are relevant to the achievement of the Group's objectives. This also allows us to ensure that risk management processes are embedded throughout the Group to manage uncertainties and mitigate threats.

For the financial year ended 31 December 2019, the Group has identified the following key risks:

1. Financial Sustainability of BHB Group

For financial prudence and to adhere to accounting standards, Boustead Holdings Berhad (the Group) recorded impairments and fair value loss for specific subsidiaries, which has impacted profitability. In addition, potential liquidated ascertained damages for specific projects has further affected profitability. At this juncture, these conditions have impacted the Group's ability to remain profitable.

Amidst these concerns, the Board of Directors and Senior Management team are optimistic the Group is able to achieve sustainable growth in the coming years.

In November 2019, the Board of Directors and Senior Management team convened for a Board Retreat. The retreat fulfilled its objective of providing a platform for the Group's leadership to discuss, formulate and strategise the way forward for the Group in order to achieve operational and financial stability.

The Group has also implemented a 5-year strategic plan to ensure business sustainability and is introducing a balanced scorecard system to monitor and track the performance of its business units.

2. Liquidity Risk

The cash inflow from dividend income and interest income is currently insufficient to support the operating expenditure and financing requirements of the Group.

Recognising the current situation, the Group has taken the necessary steps to ensure sufficient cash flow to manage the OPEX and CAPEX. In addition, proactive and fruitful engagement has resulted in financial institutions providing the Group with a more comprehensive and holistic solution to manage cashflow requirements. The Group is also undertaking efforts to improve its cashflow position by rationalising some of its low-yielding assets.

3. Breach of Financial Covenants

To ensure full compliance to financial covenants, the Group forecasts its financial position and projected cash balance at the end of each quarter in order to gauge the expected closing balance for the Group. This provides a sound indicator of the status of financial covenants of the Group, while taking into consideration the necessary steps to ensure full compliance.

KEY ELEMENTS OF INTERNAL CONTROL

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

- Clearly defined objectives of the various Committees established by the Board through terms of reference.
- Defined level of authorities and lines of responsibilities from business units up to the Board level to ensure accountabilities for risk management and control activities.
- 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.
- Defined organisational structure within the Group with each division having clearly defined roles and responsibilities, levels of authority and lines of accountability.
- Each business unit is responsible for their own conduct and performance, 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.
- The Group has various support functions comprising secretarial, legal, human capital, finance, treasury and IT which are centralised and based on their span of control.
- Establishment of Integrity and Governance department on 1 December 2019. The department functions independently, with direct reporting line to the Board, and is responsible for creating a culture of integrity and good governance.
- The Group had signed the Malaysian Anti-Corruption Commission's (MACC) Corruption-Free Pledge on 8 January 2018. The Group's participation in MACC's Corruption-Free Pledge is a reflection of its commitment to ensure good corporate governance and uphold the Group's core values of respect, integrity, teamwork and excellence, as well as to support the Government's call to cultivate a corruption-free nation and in line with the provision of MACC Act 2018 on corporate liability. There is also a plan in place to implement ISO 37001 Anti-Bribery Management System (ABMS) to act as a defence mechanism against bribery and corruption.
- The Group Legal & Compliance department reports to the Managing Director and monitors compliance with the applicable laws, rules and regulations 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 interests from a legal perspective.
- 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. Internal audit efforts are directed towards areas with significant risks as identified by Management and the Board. Review of internal audit reports and follow-up findings are deliberated by the Management Audit Committee. The internal audit reports and follow-up findings are then deliberated by the Audit Committee and are subsequently presented to the Board on a quarterly basis or earlier, as appropriate.
- 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.
- 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. The Tender Committee comprises members of Senior Management which ensures transparency in the award of contracts.
- 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.
- Whistleblowing policy to provide an avenue 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. The Group's whistleblowing function is managed by the Integrity & Governance department to provide independence from the Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Regular Board and Management meetings to assess the Group's performance and controls.
- 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 business 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 performance.
- 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.

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 business 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 19 June 2020.

RISK COMMITTEE REPORT

In accordance with Step Up 9.3 of the Malaysian Code on Corporate Governance (MCCG), the Risk Committee was established by the Board on 11 July 2019. The purpose of the formation of the Risk Committee is to assist the Board in fulfilling the oversight responsibilities with respect to the Group's risk management processes and internal control systems.

MEMBERS AND MEETINGS

As the Risk Committee was established in July 2019, a total of two (2) meetings were held during the financial year. Details of the composition of the Committee and the attendance of each member at the Committee meetings are set out below:

Name of Director	Status of Directorship	Independent	Date of Appointment	Attendance of Meetings
Loong Caesar[1]	Independent Non-Executive Director (Chairman of the Committee)	Yes	15 August 2019	2/2
Datuk Zainun Aishah Ahmad	Senior Independent Non-Executive Director	Yes	15 August 2019	2/2
Dato' Nonee Ashirin Dato' Mohd Radzi	Independent Non-Executive Director	Yes	15 August 2019	2/2
Abraham Verghese a/l TV Abraham	Independent Non-Executive Director	Yes	15 August 2019	2/2

Note: [1] The Risk Committee Chairman's profile can be viewed on page 22 of this Annual Report.

The Risk Committee membership is in line with the recommendation set out in Step Up 9.3 of the MCCG where the Risk Committee shall comprise a majority of independent directors.

The Risk Committee meetings were also attended by the Managing Director and Head of Risk Management of Boustead Holdings Berhad at invitation and as and when appropriate. The meetings were appropriately structured with Risk Committee members receiving notices, agendas, and papers sufficiently in advance of the meetings.

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

ROLES AND RESPONSIBILITIES

The role of the Risk Committee is to provide holistic oversight on Risk Management of the Group, which will include but will not be limited to the following responsibilities:

i) Oversee Enterprise Risk Management and Business Continuity Management implementation and practices within the Group;

ii) Provide timely input to management on critical risks;

iii) Engage management in an ongoing risk appetite dialogue as conditions and circumstances change and as new opportunities arise;

RISK COMMITTEE REPORT

iv) Oversee and provide additional precautions and plans for the management of specific risks, with regard to their complexity and significance;

v) Oversee the conduct, and review the results of group-wide risk assessments, including the identification and reporting of critical risks;

vi) Provide advice to the Board on risk strategies and coordinate the activities of the standing of the various Board Committees within the Group for risk oversight; and

vii) Promote a healthy risk culture and watch for dysfunctional behaviour that could undermine the effectiveness of the risk management process (e.g. excessive risk-taking due to misaligned key performance indicators and remuneration scheme).

The detailed Risk Committee's 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 Risk Committee carried out its duties as set out in its Terms of Reference. The main activities undertaken were as follows:

1. Reviewed the Risk Management Committee's report on key risks and risk management activities. Recommended additional controls to mitigate key risks either existing or emerging risks.

2. Put in place the necessary risk infrastructure encompassing the risk assessment process, organisational oversight and reporting function to instill the appropriate discipline and control around continuously improving risk management capabilities.

3. Reviewed and deliberated the Terms of Reference of Risk Committee for adoption.

4. Reviewed the Statement on Risk Management and Internal Control and recommend to the Board for approval prior to their inclusion in the Company's annual report.

For any recommendations made by the Risk Committee, the Company Secretary will issue an action item sheet to the Management for their action.

RISK MANAGEMENT FUNCTION

The risk management function, through the Risk Management Committee, is entrusted with the responsibility of implementing and maintaining the Enterprise Risk Management framework to achieve the following objectives:

- Communicate the Board's vision, role, direction and priorities to all employees;
- 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.

The Enterprise Risk Management framework is generally aligned with the principles of ISO 31000 which is an internationally recognised standard for risk management.

The Risk Management Committee, which sits on a quarterly basis, is chaired by the Managing Director of Boustead Holdings Berhad and its members consist of Divisional Directors, Head of Key Business Units, and the Head of Risk Management.

Significant risk issues evaluated by the Risk Management Committee and/or major changes proposed by this committee will be discussed at the Risk Committee and Board of Directors' meetings. The Risk Management Committee is in turn assisted by the Group Risk Management department.

The Group Risk Management department is primarily responsible for the following, among others:

- Continuously communicate, consult, share, evaluate and improve the Enterprise Risk Management policy, framework, mechanisms and/or tools, and processes to the staff, Management and the Board;
- Provide independent input/challenge on the comprehensiveness of risk assessment (risk types, root causes, existing controls and risk ratings), risk action plans and key risk indicators;
- Heighten the risk awareness culture in the business processes through risk owners' accountability and sign-off for action plans and continuous monitoring;
- Compile the business units' risk profiles in relation to the Group risk parameters, the top risks from each business segment and report to the Risk Management Committee, Risk Committee, and Board of Directors for review, deliberation and approval;
- Foster a culture of continuous improvement in risk management through risk review meetings and challenge sessions; and
- Lead the Enterprise Risk Management educational programmes and continuously build risk culture within the staff across the Group.

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 2019.

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 19 June 2020.

FINANCIAL STATEMENTS

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 2019.

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 262 to 269. 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	(1,278.8)	(290.7)
Holders of Perpetual Sukuk	79.4	79.4
Non-controlling interests	(186.9)	–
	(1,386.3)	(211.3)

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 third interim dividend of 1.5 sen per share totalling RM30.4 million in respect of the financial year ended 31 December 2018 as declared in the Directors' report of that year.

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:

Datuk Zainun Aishah Ahmad	
Nik Amlizan Mohamed	
Dato' Sri Amrin Awaluddin#	(Appointed on 6 May 2019)
Abraham Verghese a/l TV Abraham#	(Appointed on 15 July 2019)
Lieutenant General Dato' Fadzil Mokhtar (R)	(Appointed on 15 July 2019)
Loong Caesar#	(Appointed on 15 July 2019)
Dato' Nonee Ashirin Dato' Mohd Radzi#	(Appointed on 15 July 2019)
Dato' Seri Mohamed Khaled Nordin#	(Appointed on 1 May 2020)
Izaddeen Daud#	(Appointed on 18 May 2020)
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	(Resigned on 31 July 2019)
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	(Retired on 24 April 2019)
Datuk Azzat Kamaludin	(Resigned on 31 July 2019)
Dato' Sri Ghazali Mohd Ali	(Resigned on 31 July 2019)
Datuk Francis Tan Leh Kiah	(Resigned on 31 July 2019)

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:

Datuk Syed Tamim Ansari Syed Mohamed	(Appointed on 22 July 2019 and redesignated as Chairman on 1 August 2019)
Maj. Gen. Dato' Seri Hj. Khairuddin Abu Bakar (R) J.P.	
Dato' Mohzani Abdul Wahab	
Tan Sri Dato' Wira Aziah Ali	(Appointed on 22 July 2019)
Dato' Chan Kong Yew	(Appointed on 22 July 2019)
Dato' Ahmad Rizal Abdul Rahman	(Appointed on 22 July 2019)
Dato' Sri Ghazali Mohd Ali	(Appointed on 22 July 2019)
Datuk Zakaria Sharif	(Resigned on 11 December 2019)
Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)	(Resigned on 31 July 2019)
Dr. Raja Abdul Malek Raja Jallaludin	(Resigned on 31 July 2019)

(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 2019)

Directors of Pharmaniaga Berhad:

Dato' Farshila Emran	(Resigned on 31 March 2020)
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	
Mohd Suffian Haji Haron	
Datuk (Dr.) Hafsah Hashim	(Appointed on 17 July 2019)
Brigadier General Dato' Mohd Shahrom Mohamad (Rtd.)	(Appointed on 17 July 2019)
Dato' Mohd Zahir Zahur Hussain	(Appointed on 17 July 2019)
Datuk Koo Hock Fee	(Appointed on 17 July 2019)
Dr. Salmah Bahri	(Appointed on 1 January 2020)
Izzat Othman	(Resigned on 31 July 2019)
Fahmy Ismail	(Appointed on 1 January 2019 and resigned on 31 July 2019)
Tan Sri Dato' Seri Dr. Haji Mohamed Ismail Merican	(Appointed on 17 July 2019 and resigned on 17 September 2019)

(For list of Directors of Pharmaniaga Berhad's subsidiaries, please refer to annual report of Pharmaniaga Berhad for the financial year ended 31 December 2019)

DIRECTORS' REPORT

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

Directors of Boustead Heavy Industries Corporation Berhad:

Rozi Baharudin	
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)	(Appointed on 10 July 2019)
Admiral Tan Sri Dato' Seri Panglima (Dr.) Ahmad Kamarulzaman Hj Ahmad Badaruddin (Retired)	(Appointed on 1 May 2019)
Tan Sri Dato' Wira Aziah Ali	(Appointed on 10 July 2019)
Hajah Saadatul Nafisah Bashir Ahmad	(Appointed on 10 July 2019)
(DR) Salihin Abang	(Appointed on 10 July 2019)
Fahmy Ismail	(Appointed on 10 July 2019 and resigned on 10 June 2020)
Dato' Maznah Abdul Jalil	(Appointed on 10 July 2019)
Izaddeen Daud	(Appointed on 10 June 2020)
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)	(Appointed on 21 August 2019)
Vice Admiral Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor (Retired)	(Resigned on 30 November 2019)
Dato' Ishak Osman	(Resigned on 10 July 2019)
Abd Malik A Rahman	(Resigned on 1 May 2019)
Datuk Azzat Kamaludin	(Resigned on 10 July 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 2019)

Directors of other subsidiaries of the Company:

Admiral Tan Sri Dato' Setia Mohd Anwar Mohd Nor (R)	(Appointed on 1 February 2019 and resigned on 11 May 2020)
Adzli Shaferul Ramli	
Ahmad Shahredzuan Mohd Shariff	(Appointed on 15 January 2020)
Affendi Mohd Yob	(Appointed on 15 January 2020)
Akhramsyah Muammar Ubaidah Sanusi	(Appointed on 1 July 2019 and resigned on 1 May 2020)
Alisa Abdul Aziz	(Appointed on 15 January 2020)
Azah Hanim Ahmad	(Appointed on 30 January 2020)
Azhar Ahmad	(Appointed on 15 January 2020)
Cheah Swee Choo	(Resigned on 31 August 2019)
Choo Kok Leong	(Appointed on 15 January 2020)
Christina a/p A Martin	(Appointed on 15 January 2020)
Dato' Seri Dr. Shafiq Sit Abdullah	(Resigned on 21 May 2020)
Dato' Kho Hui Meng	
Dato' Zainal Abidin Haji Ahmad	(Resigned on 8 May 2020)
Dato' Ir Jauhari Hamidi	(Appointed on 15 January 2020)
Datuk Mokhtar Md Khir	(Resigned on 16 July 2019)
Dato' Shoib Abdullah	(Resigned on 30 September 2019)
Fakril Zamani Mahmud	(Appointed on 15 January 2020)
Fazura Nur Jaafar	(Appointed on 15 January 2020)
Gan Boon Ting	

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

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

Harzilah Muhamad	(Appointed on 15 January 2020)
Ir. Azman Ahmad	(Resigned on 29 January 2020)
Ir. Hairutdin Ayob	(Appointed on 31 January 2020)
Ir. Ma'som Mahadi	
Juniza Azizan	(Appointed on 15 January 2020)
Koh Chor Meng	(Resigned on 30 March 2020)
Lak. Tan Sri Mohd Reza Mohd Sany	(Appointed on 3 February 2020)
Lazarina Long Ahmad Zainal Abidin	(Appointed on 15 January 2020)
Loon Peng Wai	
Lt. Jen Datuk Hj Khairuddin Hj Mat Yusof	(Appointed on 1 July 2019)
Lt. Gen. Dato Seri Hj Mohammad Ali Alwi (R)	(Resigned on 30 June 2019)
Lt. Gen. Dato' Sri Shahrom Ibrahim (R)	
Marwan Ma'som	(Resigned on 30 September 2019)
Mej Jen Dato' Mamat Ariffin Hj Abdullah	(Appointed on 1 July 2019)
Mej. Jen. Dato' Paduka Ghazali @ Abdul Rahman Ibrahim (R)	(Resigned on 30 June 2019)
Mohd Khairizul Azuan Mohamad Rizzuan	(Appointed on 8 August 2019)
Mohad Rosli Arshad	(Appointed on 15 January 2020)
Mohamad Azlan Jaafar	(Resigned on 16 January 2020)
Mohd Ali Zakaria	
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	(Resigned on 31 August 2019)
Rosni Mohd Sari	(Appointed on 15 January 2020)
Shahril Mohd Khairi @ Bakhri	
Sharudin Jaffar	(Resigned on 1 January 2020)
Tan Kim Thiam	(Resigned on 31 December 2019)
Tan Sri Datuk Mustafa Mansur	
Wan Asma' Haji Wan Omar	(Appointed on 15 January 2020)
Wan Mohd Zamri Wan Ibrahim	(Resigned on 8 August 2019)
Wong Yun Kit	(Appointed on 15 January 2020)
YM Tengku Abu Bakar Ahmad Tengku Abdullah	
Zairuddy Zainal	(Resigned on 15 March 2019)
Zubair Abdullah	

DIRECTORS' REPORT

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 42 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 RM75,000. 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, none of the directors in office at the end of the financial year had any interests and deemed interests in shares in the Company and its related corporations during the year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance 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 allowance 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.

OTHER STATUTORY INFORMATION (CONT'D.)

(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.

SIGNIFICANT AND SUBSEQUENT EVENTS

Details of the significant and subsequent events are disclosed in Note 43 to the financial statements.

DIRECTORS' REPORT

AUDITORS AND AUDITORS' REMUNERATION

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

Auditors' remuneration is as below:

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Auditors' remuneration paid to Ernst & Young PLT				
– Statutory audit	**4.1**	4.2	**0.5**	0.4
– Others	**0.9**	0.6	**0.1**	0.2
	5.0	4.8	**0.6**	0.6
Auditors' remuneration paid to other firms				
– Statutory audit	**1.0**	0.9	**–**	–
Total remuneration paid to the external auditors	**6.0**	5.7	**0.6**	0.6

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, 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 PLT 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.

DATO' SERI MOHAMED KHALED NORDIN

DATO' SRI AMRIN AWALUDDIN

Kuala Lumpur
19 June 2020

STATEMENT BY DIRECTORS

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

We, Dato' Seri Mohamed Khaled Nordin and Dato' Sri Amrin Awaluddin, 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 128 to 269 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 2019 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.

DATO' SERI MOHAMED KHALED NORDIN

DATO' SRI AMRIN AWALUDDIN

Kuala Lumpur
19 June 2020

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 128 to 269 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 19 June 2020.

Before me

ZAINALABIDIN BIN NAN
Commissioner for Oaths
Kuala Lumpur

FAHMY ISMAIL

INDEPENDENT AUDITORS' REPORT

to the members of Boustead Holdings Berhad (Incorporated in Malaysia)

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 2019 of the Group and of the Company, and statements of profit or loss and other 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 128 to 269.

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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 2019, the Group's carrying amount of goodwill is RM306.7 million as disclosed in Note 23 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 RM763.3 million as disclosed in Note 23 to the financial statements.

   (b) Impairment assessment of property, plant and equipment and right-of-use assets

   As at 31 December 2019, the carrying amount of property, plant and equipment and right-of-use assets of the Group are RM4,878.7 million and RM2,403.9 million as disclosed in Notes 13 and 15 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, Property and Plantation Divisions which are described below:

   – Aircraft owned by MHS Aviation Berhad ("MHSA"), a partially owned subsidiary of the Group (Heavy Industries Division).

     As disclosed in Note 13 to the financial statements, the aircraft remains idle since the termination of contracts by the counterparties in prior year indicate that the aircraft may be impaired.

INDEPENDENT AUDITORS' REPORT

to the members of Boustead Holdings Berhad (Incorporated in Malaysia)

Key audit matters (cont'd.)

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

(b) Impairment assessment of property, plant and equipment and right-of-use assets (cont'd.)

– 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 right-of-use assets. Certain oil palm estates and mills of Plantation were also incurring losses. Management had then undertaken an assessment of the recoverable amount, which is defined as the higher of fair value less costs of disposal and value in use.

– Hotels (Property Division)

During the financial year, the hotels were incurring losses and management had undertaken an assessment of the recoverable amount, which is defined as the higher of fair value less cost of disposal and value in use.

Accordingly, impairment reviews performed for the abovementioned CGU/assets resulted in total impairment losses of property, plant and equipment of RM288.1 million which consist of impairment of land and buildings of RM54.1 million, bearer plants of RM126.9 million, aircraft of RM80.4 million and others of RM26.7 million as disclosed in Note 13 to the financial statements. Furthermore, impairment loss of right-of-use asset (land) of RM22.4 million was recognised as disclosed in Note 15 to the financial statements.

(c) Impairment assessment of investment in subsidiaries

As at 31 December 2019, the Company's carrying amount of the investment in subsidiaries is RM2,877.4 million as disclosed in Note 19 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 exist, 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 shareholder's funds.

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

The aforementioned impairment review gave rise to impairment losses of investment in subsidiaries of RM149.6 million as disclosed in Note 19 to the financial statements.

We have identified the above impairment reviews as important to our audit given the significance of the goodwill, property, plant and equipment and right-of-use assets to the Group and the investment in subsidiaries to the Company and the significant judgement and estimates involved in the assessment of the recoverable amount.

Key audit matters (cont'd.)

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

   Our procedures in reviewing the assessment of recoverable amount of the non-financial assets, 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 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 rates in calculating the present value of the cash flows and whether the rates 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.

2. Valuation of investment properties

   As at 31 December 2019, the carrying value of the Group's investment properties of RM1,568.1 million is as disclosed in Note 14 to the financial statements. The Group adopts fair value model for its investment properties. The Group is required to perform fair value assessment of its investment properties annually and has appointed independent professional valuers.

   We identified the valuation of the investment properties as an area of audit focus given the significance of the carrying amount of investment properties and significant judgement and estimates involved in the assessment of the fair value of the investment properties.

   Our procedures in reviewing the valuation of investment properties, include inter alia the following:

   - We assessed the competence, capabilities and objectivity of the independent professional valuers;
   - We obtained an understanding of the methodology adopted by the independent professional valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in industry;
   - We interviewed the independent professional valuers to obtain an understanding of their valuation process, the significant estimates and assumptions applied in their valuation model;
   - For the comparison method of valuation (market approach), we assessed the source data of the comparable transactions used by the valuers. We also obtained an understanding of the adjustments made by the valuer in accounting for differences in, amongst others, the property's location, time factor, property's size and tenure;

INDEPENDENT AUDITORS' REPORT

to the members of Boustead Holdings Berhad (Incorporated in Malaysia)

Key audit matters (cont'd.)

2. Valuation of investment properties (cont'd.)

   - For investment method of valuation (income approach), we assessed whether the key assumptions used in deriving the discounted cash flows such as rental rates for reversion period, void rate and outgoings are consistent with the historical trend of the properties and comparable to similar properties. We also assessed whether the discount rate used to determine the present value of the cash flows reflects the return that investors would require if they were to choose an investment that would generate cash flows of amount, timing and risk profile equivalent to those that the entity expect to derive.

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

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

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

   The Group determines that certain of its performance obligations in relation 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 by reference to the proportion of costs incurred for work performed to date to the estimated total costs to measure progress towards the satisfaction of performance obligation.

   In relation to the budgeted revenue, we have, amongst others and where applicable, agreed this to the signed contracts, letter of awards, and approved variation orders. In relation to variation orders, which the customer has approved a change in the scope of work in the contract, but have yet to determine the change in contract price, we have evaluated the change in transaction price arising from the modification by reviewing supporting evidence included but not limited to correspondence with customers. We also had discussions with the Group's customer to corroborate management's estimated variation order. We assessed the estimated deduction on the budgeted revenue due to delays in delivery or other contractual penalties, by reviewing the contractual delivery dates and other terms of the respective contracts against management's estimated delivery dates, progress reports, 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' and subcontractors' contracts as well as budgeted direct labour costs. We have assessed the actual costs incurred in examining evidences such as subcontractors' claims and suppliers' invoices. We recomputed progress towards the satisfaction of performance obligation using the input method by comparing actual costs incurred against total budgeted cost. We also recomputed the revenue recognised for the year.

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.

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.

INDEPENDENT AUDITORS' REPORT

to the members of Boustead Holdings Berhad (Incorporated in Malaysia)

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

- 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.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed on pages 262 to 268.

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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
19 June 2020

INCOME STATEMENTS

for the year ended 31 December 2019

	Note	Group 2019 RM Million	Group 2018 RM Million Restated	Company 2019 RM Million	Company 2018 RM Million Restated
Revenue	5	**10,321.7**	10,186.4	**51.6**	296.9
Operating cost	6	**(10,261.8)**	(10,218.5)	**(107.5)**	(72.5)
Results from operations		**59.9**	(32.1)	**(55.9)**	224.4
Gain on disposal of plantation land		**119.5**	–	**–**	–
Impairment of property, plant and equipment	13	**(288.1)**	(77.9)	**–**	–
Impairment of right-of-use assets	15	**(22.4)**	–	**–**	–
Impairment of goodwill	23	**(763.3)**	(106.2)	**–**	–
Accelerated amortisation of rights to supply	23	**(247.3)**	–	**–**	–
Fair value (loss)/gain on investment properties	14	**(7.6)**	(59.4)	**(3.5)**	2.7
Other investment results	8	**0.4**	1.2	**(109.7)**	(311.1)
Share of results of associates	20	**117.0**	115.5	**–**	–
Share of results of joint ventures	21	**47.0**	(80.9)	**–**	–
Loss before interest, taxation and zakat		**(984.9)**	(239.8)	**(169.1)**	(84.0)
Finance cost	9	**(399.7)**	(271.5)	**(204.8)**	(145.4)
Interest income	7	**48.8**	32.5	**162.3**	124.5
Loss before taxation and zakat		**(1,335.8)**	(478.8)	**(211.6)**	(104.9)
Taxation	10	**(47.9)**	(74.4)	**0.7**	(8.6)
Zakat		**(2.6)**	(1.1)	**(0.4)**	–
Loss for the year		**(1,386.3)**	(554.3)	**(211.3)**	(113.5)
Attributable to:					
Shareholders of the Company		**(1,278.8)**	(535.4)	**(290.7)**	(187.4)
Holders of Perpetual Sukuk		**79.4**	73.9	**79.4**	73.9
Non-controlling interests		**(186.9)**	(92.8)	**–**	–
Loss for the year		**(1,386.3)**	(554.3)	**(211.3)**	(113.5)
Loss per share – sen					
Basic/diluted	11	**(63.09)**	(26.41)		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Group		Company	
	2019 RM Million	**2018 RM Million Restated**	**2019 RM Million**	**2018 RM Million Restated**
Loss for the year	**(1,386.3)**	(554.3)	**(211.3)**	(113.5)
Other comprehensive income/(loss):				
Items that may be reclassified to profit or loss in subsequent periods (net of tax)				
Foreign currency translation	**1.5**	(2.5)	**–**	–
Share of other comprehensive income of investments accounted for using equity method	**29.1**	15.6	**–**	–
	30.6	13.1	**–**	–
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)				
Net (loss)/gain on equity investment designated at fair value through other comprehensive income				
– Fair value changes	**(0.1)**	(3.0)	**–**	(1.4)
– Disposals	**0.1**	(0.3)	**–**	–
	–	(3.3)	**–**	(1.4)
Other comprehensive income/(loss) for the year, net of tax	**30.6**	9.8	**–**	(1.4)
Total comprehensive loss for the year, net of tax	**(1,355.7)**	(544.5)	**(211.3)**	(114.9)
Attributable to:				
Shareholders of the Company	**(1,249.4)**	(524.0)	**(290.7)**	(188.8)
Holders of Perpetual Sukuk	**79.4**	73.9	**79.4**	73.9
Non-controlling interests	**(185.7)**	(94.4)	**–**	–
Total comprehensive loss for the year, net of tax	**(1,355.7)**	(544.5)	**(211.3)**	(114.9)

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

		Group		
	Note	31 December 2019 RM Million	31 December 2018 RM Million Restated	1 January 2018 RM Million Restated
ASSETS				
Non-current assets				
Property, plant and equipment	13	**4,878.7**	6,899.6	6,664.8
Investment properties	14	**1,568.1**	1,503.4	1,494.8
Right-of-use assets	15	**2,403.9**	–	–
Prepaid land lease payments	16	**–**	49.6	51.7
Long term prepayments	17	**–**	207.1	201.8
Deferred tax assets	18	**53.1**	68.3	52.5
Associates	20	**2,116.5**	1,971.4	2,014.4
Joint ventures	21	**559.5**	520.3	539.8
Investments	22	**10.2**	18.7	35.7
Intangible assets	23	**374.4**	1,346.0	1,391.0
Inventories	24	**858.2**	759.9	591.1
Receivables	25	**202.6**	335.2	–
Total non-current assets		**13,025.2**	13,679.5	13,037.6
Current assets				
Inventories	24	**1,035.6**	1,109.2	782.6
Receivables	25	**932.6**	1,528.5	2,141.4
Biological assets	26	**22.2**	15.7	23.0
Contract assets and contract cost assets	27	**924.9**	1,000.6	1,258.5
Deposits, cash and bank balances	28	**941.4**	753.3	631.1
		3,856.7	4,407.3	4,836.6
Assets classified as held for sale	29	**92.9**	330.3	14.0
Total current assets		**3,949.6**	4,737.6	4,850.6
Total assets		**16,974.8**	18,417.1	17,888.2

	Note	Group 31 December 2019 RM Million	31 December 2018 RM Million Restated	1 January 2018 RM Million Restated
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	30	**2,735.7**	2,735.7	2,735.7
Reserves	31	**993.7**	2,259.0	3,095.3
Shareholders' equity		**3,729.4**	4,994.7	5,831.0
Perpetual Sukuk	32	**608.9**	1,207.9	1,207.7
Non-controlling interests		**1,349.8**	1,601.7	1,848.7
Total equity		**5,688.1**	7,804.3	8,887.4
Non-current liabilities				
Borrowings	33	**3,522.9**	2,671.5	1,456.5
Payables	34	**24.6**	26.8	35.7
Lease liabilities	15	**30.1**	–	–
Deferred tax liabilities	18	**334.2**	391.0	371.7
Total non-current liabilities		**3,911.8**	3,089.3	1,863.9
Current liabilities				
Borrowings	33	**4,386.7**	4,861.4	4,727.4
Payables	34	**2,892.9**	2,506.0	2,296.0
Contract liabilities	27	**61.0**	111.2	82.5
Lease liabilities	15	**11.2**	–	–
Taxation		**23.1**	14.5	31.0
Dividend payable		**–**	30.4	–
Total current liabilities		**7,374.9**	7,523.5	7,136.9
Total liabilities		**11,286.7**	10,612.8	9,000.8
Total equity and liabilities		**16,974.8**	18,417.1	17,888.2

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

		Company		
	Note	31 December 2019 RM Million	31 December 2018 RM Million Restated	1 January 2018 RM Million Restated
ASSETS				
Non-current assets				
Property, plant and equipment	13	**2.4**	3.5	3.5
Investment properties	14	**104.5**	107.5	104.6
Right-of-use assets	15	**12.0**	–	–
Subsidiaries	19	**2,877.4**	3,027.0	3,228.3
Associates	20	**959.5**	939.4	939.4
Joint ventures	21	**180.1**	140.2	250.0
Investments	22	**4.7**	4.7	6.1
Receivables	25	**2,173.4**	2,257.7	1,178.6
Total non-current assets		**6,314.0**	6,480.0	5,710.5
Current assets				
Receivables	25	**233.2**	199.1	510.6
Deposits, cash and bank balances	28	**432.2**	199.8	32.5
Total current assets		**665.4**	398.9	543.1
Total assets		**6,979.4**	6,878.9	6,253.6

		Company		
	Note	31 December 2019 RM Million	31 December 2018 RM Million Restated	1 January 2018 RM Million Restated
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	30	**2,735.7**	2,735.7	2,735.7
Reserves	31	**(597.2)**	(306.5)	34.4
Shareholders' equity		**2,138.5**	2,429.2	2,770.1
Perpetual Sukuk	32	**608.9**	1,207.9	1,207.7
Total equity		**2,747.4**	3,637.1	3,977.8
Non-current liabilities				
Borrowings	33	**2,339.8**	1,522.5	992.5
Lease liabilities	15	**9.9**	–	–
Deferred tax liabilities	18	**3.2**	3.6	1.9
Total non-current liabilities		**2,352.9**	1,526.1	994.4
Current liabilities				
Borrowings	33	**1,758.5**	1,643.6	1,247.2
Payables	34	**118.3**	41.7	34.2
Lease liabilities	15	**2.3**	–	–
Dividend payables		**–**	30.4	–
Total current liabilities		**1,879.1**	1,715.7	1,281.4
Total liabilities		**4,232.0**	3,241.8	2,275.8
Total equity and liabilities		**6,979.4**	6,878.9	6,253.6

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2019

	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 2019	2,735.7	2,259.0	4,994.7	1,207.9	1,601.7	7,804.3
Adjustment arising from adoption of MFRS 16 (Note 2)	–	(6.2)	(6.2)	–	–	(6.2)
At 1 January 2019, adjusted	2,735.7	2,252.8	4,988.5	1,207.9	1,601.7	7,798.1
(Loss)/profit for the year	–	(1,278.8)	(1,278.8)	79.4	(186.9)	(1,386.3)
Other comprehensive income for the year	–	29.4	29.4	–	1.2	30.6
Total comprehensive (loss)/income for the year	–	(1,249.4)	(1,249.4)	79.4	(185.7)	(1,355.7)
Perpetual Sukuk						
– Distribution	–	–	–	(85.4)	–	(85.4)
– Redemption	–	–	–	(593.0)	–	(593.0)
Issue of shares during the year under share options granted by an associate	–	2.6	2.6	–	–	2.6
Share of an associate's obligation to buy its subsidiaries shares	–	(12.6)	(12.6)	–	–	(12.6)
Changes in ownership interest in subsidiaries						
– Share options granted by a subsidiary	–	0.3	0.3	–	2.6	2.9
Dividends (Note 19)	–	–	–	–	(68.8)	(68.8)
At 31 December 2019	2,735.7	993.7	3,729.4	608.9	1,349.8	5,688.1

	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	–	(43.6)	(43.6)	–	(5.3)	(48.9)
At 1 January 2018, as previously stated	2,735.7	3,402.4	6,138.1	1,207.7	1,848.7	9,194.5
Prior year adjustments (Note 44(i))	–	(307.1)	(307.1)	–	–	(307.1)
At 1 January 2018, restated	2,735.7	3,095.3	5,831.0	1,207.7	1,848.7	8,887.4
(Loss)/profit for the year as reported in the 2018 financial statements	–	(469.2)	(469.2)	73.9	(92.8)	(488.1)
Prior year adjustments (Note 44(iii))	–	(66.2)	(66.2)	–	–	(66.2)
(Loss)/profit for the year, restated	–	(535.4)	(535.4)	73.9	(92.8)	(554.3)
Other comprehensive income/(loss) for the year	–	11.4	11.4	–	(1.6)	9.8
Total comprehensive (loss)/income for the year, restated	–	(524.0)	(524.0)	73.9	(94.4)	(544.5)
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						
– 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 19)	–	(152.1)	(152.1)	–	(143.5)	(295.6)
At 31 December 2018, restated	2,735.7	2,259.0	4,994.7	1,207.9	1,601.7	7,804.3

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2019

	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					
At 1 January 2018	2,735.7	50.1	2,785.8	1,207.7	3,993.5
Prior year adjustments (Note 44(iv))	–	(15.7)	(15.7)	–	(15.7)
At 1 January 2018, restated	2,735.7	34.4	2,770.1	1,207.7	3,977.8
(Loss)/profit for the year as reported in the 2018 financial statements	–	(186.9)	(186.9)	73.9	(113.0)
Prior year adjustments (Note 44(vi))	–	(0.5)	(0.5)	–	(0.5)
(Loss)/profit for the year, restated	–	(187.4)	(187.4)	73.9	(113.5)
Other comprehensive loss for the year	–	(1.4)	(1.4)	–	(1.4)
Total comprehensive (loss)/income for the year, restated	–	(188.8)	(188.8)	73.9	(114.9)
Perpetual Sukuk					
– Distribution	–	–	–	(73.7)	(73.7)
Dividends (Note 12)	–	(152.1)	(152.1)	–	(152.1)
At 31 December 2018, restated/1 January 2019	**2,735.7**	**(306.5)**	**2,429.2**	**1,207.9**	**3,637.1**
(Loss)/profit for the year	**–**	**(290.7)**	**(290.7)**	**79.4**	**(211.3)**
Total comprehensive (loss)/income for the year	**–**	**(290.7)**	**(290.7)**	**79.4**	**(211.3)**
Perpetual Sukuk					
– Redemption	**–**	**–**	**–**	**(593.0)**	**(593.0)**
– Distribution	**–**	**–**	**–**	**(85.4)**	**(85.4)**
At 31 December 2019	**2,735.7**	**(597.2)**	**2,138.5**	**608.9**	**2,747.4**

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

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Operating activities				
Cash receipts from customers	**10,507.4**	10,947.4	**7.4**	7.8
Cash paid to suppliers and employees	**(8,917.3)**	(9,845.0)	**(33.4)**	(44.3)
Cash generated from/(used in) operations	**1,590.1**	1,102.4	**(26.0)**	(36.5)
Tax (paid)/refunded	**(68.1)**	(112.0)	**1.1**	(0.5)
Net cash from/(used in) operating activities	**1,522.0**	990.4	**(24.9)**	(37.0)
Investing activities				
Additional investment in a joint venture and subsidiaries	**–**	(50.0)	**–**	–
Initial investment in a joint venture	**–**	(11.1)	**–**	–
Disposal of quoted shares	**8.5**	13.7	**–**	–
Property, plant and equipment				
– Purchases	**(277.1)**	(940.1)	**(0.2)**	(1.0)
– Disposals	**12.2**	14.6	**0.3**	0.2
Investment properties				
– Disposal	**–**	9.7	**–**	–
Rights-of-use assets				
– Purchase	**(321.0)**	–	**–**	–
– Disposal	**0.5**	–	**–**	–
Refund of deposit	**16.3**	–	**–**	–
Disposal of assets held for sale	**133.5**	–	**–**	–
Purchase and development of property development	**(230.1)**	(340.8)	**–**	–
Subsequent expenditure on investment properties	**(2.4)**	(44.5)	**(0.5)**	(0.2)
Purchase of intangible assets	**(41.6)**	(45.9)	**–**	–
Advances to a joint venture for capital expenditure	**–**	(109.3)	**–**	–
Deposits paid on acquisition of plantation land	**–**	(39.7)	**–**	–
Deposits received on disposal of plantation land	**–**	13.6	**–**	–
Dividends received	**12.9**	9.8	**65.5**	238.6
Interest received	**48.8**	32.5	**147.7**	124.3
Net cash (used in)/from investing activities	**(639.5)**	(1,487.5)	**212.8**	361.9

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Financing activities				
Dividends paid				
– By the Company	**(30.4)**	(121.7)	**(30.4)**	(121.7)
– By subsidiaries	**(68.8)**	(143.5)	**–**	–
Perpetual Sukuk				
– Redemption	**(593.0)**	–	**(593.0)**	–
– Distribution	**(85.4)**	(73.7)	**(85.4)**	(73.7)
Repayment from joint ventures	**146.5**	–	**–**	–
Proceeds from long term loans	**1,375.4**	1,055.8	**1,055.4**	598.7
Repayment of long term loans	**(342.8)**	(1,004.5)	**(60.0)**	(10.0)
(Decrease)/increase of revolving credits and bankers' acceptances	**(650.0)**	1,285.8	**(60.0)**	325.0
Net payments from/(to) Group companies	**–**	–	**6.6**	(750.4)
Repayment of lease liabilities	**(9.2)**	–	**(3.0)**	–
Interest paid	**(424.3)**	(398.6)	**(180.6)**	(136.9)
Net cash (used in)/from financing activities	**(682.0)**	599.6	**49.6**	(169.0)
Net increase in cash and cash equivalents	**200.5**	102.5	**237.5**	155.9
Foreign currency translation difference	**0.3**	(0.5)	**–**	–
Cash and cash equivalents at beginning of year	**694.0**	592.0	**166.2**	10.3
Cash and cash equivalents at end of year	**894.8**	694.0	**403.7**	166.2
Cash and cash equivalents at end of year				
Deposits, cash and bank balances (Note 28)	**941.4**	753.3	**432.2**	199.8
Overdrafts (Note 33)	**(46.6)**	(59.3)	**(28.5)**	(33.6)
	894.8	694.0	**403.7**	166.2

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 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 nearest 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.

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.

ACCOUNTING POLICIES

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

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.

ACCOUNTING POLICIES

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

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 39.

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.

ACCOUNTING POLICIES

(E) INTANGIBLE ASSETS (CONT'D.)

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

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.

Gain or loss arising from derecognition 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 rights 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 rights 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 title of the said hardware and software vests with the Government of Malaysia.

Following the recent development on the concession arrangement as disclosed in Note 23, the Group has revised the remaining useful life of its rights to supply from 10 years to nil year. The change has resulted in accelerated amortisation charge of RM247.3 million during the financial year. The impact from the revision has been accounted for prospectively as a change in accounting estimate.

(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.

ACCOUNTING POLICIES

(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 prevailing 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 reclassified to 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.

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.

ACCOUNTING POLICIES

(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, any 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) 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.

(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.

ACCOUNTING POLICIES

(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 sells 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.

(K) REVENUE (CONT'D.)

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

(ii) Repair and maintenance and rendering of services (cont'd.)

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.

(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.

ACCOUNTING POLICIES

(K) REVENUE (CONT'D.)

(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) 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 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. Normal credit term is 30 days upon invoice being issued.

(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 are 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 recognises 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.

(K) REVENUE (CONT'D.)

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).

Revenue earned from shipbuilding, ship repair and property development activities but yet to be billed to customers, are initially recognised as contract assets and reclassified to trade receivables when the right to considerations becomes unconditional.

(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.

Contract cost assets

(a) 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.

(b) Cost to fulfil a contract

The Group recognises:

(i) costs related directly to a contract or to an anticipated contract that can be specifically identified;

(ii) costs that generate or enhance resources of the Group that will be used in satisfying performance obligations in future; and

(iii) the costs that are expected to be recovered as an asset.

ACCOUNTING POLICIES

(K) REVENUE (CONT'D.)

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.

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.

(L) TAXATION (CONT'D.)

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.

ACCOUNTING POLICIES

(N) INVENTORIES (CONT'D.)

(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

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).

(O) FINANCIAL ASSETS (CONT'D.)

Initial recognition and measurement (cont'd.)

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

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)

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.

Financial assets designated at fair value through OCI (equity instruments)

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.

ACCOUNTING POLICIES

(O) FINANCIAL ASSETS (CONT'D.)

Subsequent measurement (cont'd.)

Financial assets designated at fair value through OCI (equity instruments) (cont'd.)

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 22 under this category.

Financial assets at fair value through profit or loss

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.

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

(O) FINANCIAL ASSETS (CONT'D.)

Subsequent measurement (cont'd.)

Derecognition (cont'd.)

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

For trade receivables, contract assets and contract cost assets, the Group applies a simplified approach in calculating expected credit losses (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
- Trade receivables in Note 25
- Contract assets and contract cost assets in Note 27

ACCOUNTING POLICIES

(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 surplus. 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, lease liabilities, 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.

Financial liabilities at amortised cost

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 lease liabilities, interest-bearing loans and borrowings. For more information, refer to Notes 15, 33 and 34.

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.

ACCOUNTING POLICIES

(S) FINANCIAL LIABILITIES (CONT'D.)

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

Accounting policies applied from 1 January 2019

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group and Company as a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land	2 – 999 years
Buildings	1 – 50 years
Plant and machinery	20 years
Motor vehicles	1 – 5 years
Other equipment	1 – 4 years

(U) LEASES (CONT'D.)

(i) Right-of-use assets (cont'd.)

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of building, machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group and Company as a lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

ACCOUNTING POLICIES

(U) LEASES (CONT'D.)

Accounting policies applied up to 31 December 2018

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group and Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group and the Company are classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating cost in the statement of profit or loss on a straight-line basis over the lease term.

Group and Company as a lessor

Leases in which the Group and the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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.

(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) 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.

ACCOUNTING POLICIES

(Z) 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.

(AA) 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 262 to 269 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 19 June 2020.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except in the current period, the Group and the Company adopted the following new and amended Malaysian Financial Reporting Standards (MFRSs) mandatory for annual financial periods beginning on or after 1 January 2019:

2.1 Adoption of new standards effective 1 January 2019

Description	Effective for annual periods beginning on or after
• MFRS 16 Leases	1 January 2019
• Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 11 Joint Arrangements (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
• Amendments to MFRS 112 Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
• Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement	1 January 2019
• Amendments to MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
• Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

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

2.1 Adoption of new standards effective 1 January 2019 (cont'd.)

The adoption of the above new and amended MFRSs did not have any significant financial impact to the Group and the Company, except for the following:

MFRS 16: Leases

The Group and the Company applied MFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group and the Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group and the Company applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. Before the adoption of MFRS 16, the Group and the Company classified each of its leases (as lessee) at the inception date as a finance lease or an operating lease. Upon adoption of MFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Company. Refer to Note (U) Leases for the accounting policy beginning 1 January 2019.

(i) Leases previously classified as finance leases

The Group and the Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets equal the lease assets recognised under MFRS 117). The requirements of MFRS 16 were applied to these leases from 1 January 2019.

(ii) Leases previously accounted for as operating leases

The Group and the Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application.

The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

2.1 Adoption of new standards effective 1 January 2019 (cont'd.)

MFRS 16: Leases (cont'd.)

(ii) Leases previously accounted for as operating leases (cont'd.)

The Group and the Company also applied the available practical expedients wherein it:

(a) used a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) relied on its assessment of whether leases are onerous immediately before the date of initial application;
(c) applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
(d) excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application;
(e) used hindsight in determining the lease term where the contract contained options to extend or terminate the lease; and
(f) elected not to separate lease and non-lease components for classes of assets.

The effect of adoption MFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

		Group		
	Note	31 December 2018 Restated RM Million	Adjustments RM Million	1 January 2019 Adjusted RM Million
ASSETS				
Property, plant and equipment	13	6,899.6	(1,906.8)	**4,992.8**
Right-of-use assets	15	–	2,210.2	**2,210.2**
Prepaid land lease payments	16	49.6	(49.6)	**–**
Long term prepayments	17	207.1	(207.1)	**–**
Joint ventures	21	520.3	(6.2)	**514.1**
Receivables	25	1,863.7	(2.7)	**1,861.0**
EQUITY AND LIABILITIES				
Lease liabilities	15	–	45.0	**45.0**
Payables	34	2,532.8	(1.0)	**2,531.8**
Reserves	31	2,259.0	(6.2)	**2,252.8**

NOTES TO THE FINANCIAL STATEMENTS

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

MFRS 16: Leases (cont'd.)

The effect of adoption MFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows: (cont'd.)

		Company		
	Note	31 December 2018 Restated RM Million	Adjustments RM Million	1 January 2019 Adjusted RM Million
ASSETS				
Right-of-use assets	15	–	14.5	**14.5**
LIABILITIES				
Lease liabilities	15	–	14.5	**14.5**

The reconciliation between the operating lease commitments disclosed based on application of MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	Group RM Million
Operating lease commitments disclosed as at 31 December 2018	68.3
Contracts scoped out under MFRS 16	(21.5)
Adjustments in relation to extension options	9.3
	56.1
Discounted using weighted average incremental borrowing rate	(11.1)
Lease liabilities recognised as at 1 January 2019 upon adoption of MFRS 16	45.0

The weighted average of lessee's incremental borrowing rate applied to lease liabilities at 1 January 2019 was 4.4% per annum.

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 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
• Amendments to MFRS 9, MFRS 139 and MFRS 7 – Interest Rate Benchmark Reform	1 January 2020
• COVID-19 – Related Rent Concessions (Amendments to MFRS 16 Leases)	1 June 2020
• MFRS 17 – Insurance Contracts	1 January 2021
• Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
• Reference to Conceptual Framework (Amendments to MFRS 3 Business Combinations)	1 January 2022
• Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)	1 January 2022
• Amendments to MFRS 101 – Classification of Liabilities as Current or Non-Current	1 January 2022
• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)	1 January 2022
• Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture	Deferred

There are no 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.

NOTES TO THE FINANCIAL STATEMENTS

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 revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. 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 23.

(b) Impairment of property, plant and equipment, right-of-use assets and investment in subsidiaries, joint ventures and associates

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.

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

(b) Impairment of property, plant and equipment, right-of-use assets and investment in subsidiaries, joint venture and associates (cont'd.)

The accumulated impairment losses for property, plant and equipment, right-of-use assets and investment in subsidiaries and a joint venture are disclosed in Notes 13, 15, 19 and 21 respectively.

(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 receivables and contract assets are disclosed in Notes 25 and 27 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 RM2.2 million (2018: RM1.6 million).

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

(e) Property development (cont'd.)

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 27.

(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 18.

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

(h) Amortisation of rights to supply

Under the Concession Agreement signed between a subsidiary of the Group and the Government of Malaysia on 16 March 2011, the subsidiary is required to design, develop, supply, install, configure, test and commission, maintain and operate the Pharmacy Information System (PhIS) and Clinic Pharmacy System (CPS) (collectively referred to as the Systems) which are required to be completed within the concession period. The title of the PhIS and CPS systems would vest with the Government of Malaysia.

Given the recent development surrounding the concession arrangement as disclosed in Note 43(g), the subsidiary has reassessed the remaining useful life of the 'rights to supply' intangible assets. Notwithstanding the Ministry of Health's decision of extending the Concession Agreement for a further 25 months, there remains uncertainty surrounding the actual concession period. Accordingly, the subsidiary has decided to fully amortise this intangible asset by 31 December 2019. The impact of the revision in useful life has been accounted for prospectively as a change in estimate, resulting in the recognition of an accelerated amortisation charge of RM247.3 million during the financial year ended 31 December 2019 as disclosed in Note 23.

(i) Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For lands classified as investment properties, the Group had applied the use of comparison valuation technique to assess the fair value of lands. For office buildings, the Group had applied the use of multiple valuation techniques in measuring the fair value. The results are evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value of the assets. In relation to shopping complexes, the Group had applied the income approach.

Professional valuers are involved for valuation of investment properties and decided upon annually by the management. Selection criteria of professional valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's professional valuers, which valuation techniques and inputs to use for each case.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 39.

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Sale of produce	**575.7**	582.9	**–**	–
Sale of petroleum products	**4,786.3**	4,969.0	**–**	–
Sale of pharmaceutical products	**2,820.5**	2,385.0	**–**	–
Sale of building materials	**347.6**	362.8	**–**	–
Shipbuilding	**877.2**	980.2	**–**	–
Ship repair	**179.0**	149.9	**–**	–
Property development	**248.3**	266.9	**–**	–
Hotel operations	**147.6**	153.2	**–**	–
Tuition fees	**164.4**	152.2	**–**	–
Others	**48.4**	58.5	**9.2**	8.5
Revenue from contracts with customers	**10,195.0**	10,060.6	**9.2**	8.5
Rental income	**126.7**	125.8	**7.5**	7.9
Gross dividends from quoted shares in Malaysia				
– Subsidiaries	**–**	–	**28.2**	158.4
– Associates	**–**	–	**–**	20.1
– Others	**–**	–	**0.2**	0.2
Gross dividends from unquoted shares in Malaysia				
– Subsidiaries	**–**	–	**4.6**	98.7
– Associates	**–**	–	**1.9**	3.1
	10,321.7	10,186.4	**51.6**	296.9

5. REVENUE (CONT'D.)

Segment information of the Group's revenue:

2019	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	575.7	–	–	–	–	–	575.7
Sale of petroleum products	–	–	–	–	–	4,786.3	4,786.3
Sale of pharmaceutical products	–	–	–	–	2,820.5	–	2,820.5
Sale of building materials	–	–	–	–	–	347.6	347.6
Shipbuilding	–	877.2	–	–	–	–	877.2
Ship repair	–	179.0	–	–	–	–	179.0
Property development	–	–	248.3	–	–	–	248.3
Hotel operations	–	–	147.6	–	–	–	147.6
Tuition fees	–	–	–	164.4	–	–	164.4
Others	1.5	1.5	–	41.0	–	4.4	48.4
Revenue from contracts with customers	577.2	1,057.7	395.9	205.4	2,820.5	5,138.3	10,195.0
Rental income	–	3.3	116.3	1.0	–	6.1	126.7
	577.2	1,061.0	512.2	206.4	2,820.5	5,144.4	10,321.7
Timing of Revenue Recognition							
Goods/services transferred:							
– At a point in time	575.7	4.1	242.6	41.9	2,780.5	5,135.5	8,780.3
– Over time	1.5	1,056.9	269.6	164.5	40.0	8.9	1,541.4
	577.2	1,061.0	512.2	206.4	2,820.5	5,144.4	10,321.7

NOTES TO THE FINANCIAL STATEMENTS

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
Others	1.1	1.6	0.2	51.1	–	4.5	58.5
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	4.8	234.7	51.9	2,334.5	5,329.0	8,537.8
– Over time	1.1	1,130.2	299.4	152.6	50.5	14.8	1,648.6
	584.0	1,135.0	534.1	204.5	2,385.0	5,343.8	10,186.4

6. OPERATING COST

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Changes in inventories of finished goods and work in progress	**(4.3)**	(2.6)	**–**	–
Finished goods and work in progress purchases	**6,614.2**	6,456.4	**–**	–
Raw materials and consumables used	**1,553.8**	1,718.4	**–**	–
Staff costs	**667.1**	650.2	**16.7**	18.5
Defined contribution plans	**90.6**	87.9	**2.5**	2.4
Depreciation and amortisation				
– Property, plant and equipment (Note 13)	**323.6**	324.8	**0.8**	0.8
– Right-of-use assets (Note 15)	**60.1**	–	**2.5**	–
– Prepaid land lease payments (Note 16)	**–**	2.1	**–**	–
– Long term prepayments (Note 17)	**–**	13.0	**–**	–
– Intangible assets (Note 23)	**11.6**	29.6	**–**	–
Auditors' remuneration paid to Ernst & Young PLT				
– Statutory audit	**4.1**	4.2	**0.5**	0.4
– Others	**0.9**	0.6	**0.1**	0.2
Auditors' remuneration paid to other firm				
– Statutory audit	**1.0**	0.9	**–**	–
Directors' fees – current year	**1.0**	1.8	**0.8**	0.8
Directors' remuneration				
– Emoluments	**2.7**	6.6	**1.6**	4.5
– Benefits	**0.2**	0.2	**0.1**	0.1
Property, plant and equipment				
– (Gain)/loss on disposal	**(9.2)**	(12.5)	**0.1**	–
– Written off (Note 13)	**2.0**	3.7	**–**	–
Investment properties				
– Gain on disposal	**–**	(3.1)	**–**	–
Trade receivables (Note 25)				
– Allowance for expected credit loss	**11.3**	13.8	**–**	–
– Reversal of allowance for expected credit loss	**(17.8)**	(7.5)	**–**	–
Fair value (gain)/loss on biological assets (Note 26)	**(6.5)**	7.3	**–**	–
Other operating cost	**955.4**	922.7	**81.8**	44.8
	10,261.8	10,218.5	**107.5**	72.5

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING COST (CONT'D.)

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Other operating cost includes:				
Rent paid (Note 15)	**24.3**	25.5	**–**	2.9
Investment properties				
– Direct operating expenses	**53.8**	46.8	**3.5**	3.5
Hire of equipment	**3.8**	3.8	**–**	–
Research and development	**19.8**	19.8	**–**	–
Net fair value loss/(gain) on derivatives (Note 39)	**6.3**	(6.4)	**–**	–
Net foreign exchange (gain)/loss				
– Realised	**(2.7)**	4.9	**–**	–
– Unrealised	**(8.2)**	5.0	**–**	–
Inventories (Note 24)				
– Writedown	**30.9**	32.9	**–**	–
– Writeback	**(2.2)**	(0.1)	**–**	–
Allowance for expected credit loss:				
– Other receivables (Note 25)	**–**	5.0	**–**	2.5
– Amount due from subsidiaries (Note 25)	**–**	–	**70.1**	24.4
– Amount due from joint venture (Note 25)	**15.5**	22.3	**–**	–
– Contract assets (Note 27)	**–**	12.3	**–**	–
Reversal of allowance for expected credit loss				
– Contract assets (Note 27)	**(1.2)**	–	**–**	–

7. INTEREST INCOME

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Interest income				
– Subsidiaries	**–**	–	**136.7**	113.3
– Associates and joint ventures	**22.4**	19.9	**10.8**	8.4
– Others	**26.4**	12.6	**14.8**	2.8
	48.8	32.5	**162.3**	124.5

8. OTHER INVESTMENT RESULTS

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Gross dividends of quoted shares in Malaysia	**0.2**	1.2	**–**	–
Gross dividends of unquoted shares in Malaysia	**0.2**	–	**–**	–
(Impairment losses)/reversal of impairment losses				
– Subsidiaries (Note 19)	**–**	–	**(149.6)**	(201.3)
– Joint venture (Note 21)	**–**	–	**39.9**	(109.8)
	0.4	1.2	**(109.7)**	(311.1)

9. FINANCE COST

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Interest expense on				
– Asset-backed bonds	**7.3**	15.0	**–**	–
– Bank borrowings	**295.8**	280.3	**83.3**	73.5
– Islamic medium term notes	**118.6**	71.0	**118.6**	71.0
– Loans from subsidiaries	**–**	–	**2.2**	0.9
– Lease liabilities (Note 15)	**2.2**	–	**0.7**	–
	423.9	366.3	**204.8**	145.4
Included in construction cost	**–**	(59.7)	**–**	–
Capitalised in qualifying assets				
– Property, plant and equipment (Note 13)	**(1.1)**	(1.2)	**–**	–
– Investment properties (Note 14)	**–**	(4.1)	**–**	–
– Inventories (Note 24)				
– Land held for property development	**(21.7)**	(24.6)	**–**	–
– Property development in progress	**(1.4)**	(5.2)	**–**	–
	(24.2)	(35.1)	**–**	–
	399.7	271.5	**204.8**	145.4

NOTES TO THE FINANCIAL STATEMENTS

10. TAXATION

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Taxation on profit for the year				
– Malaysian	**99.2**	92.7	**3.0**	6.0
– Foreign	**2.0**	3.5	**–**	–
Deferred tax relating to (Note 18):				
– Origination and reversal of temporary differences	**(50.6)**	(35.3)	**(0.4)**	0.4
– Effect of changes in real property gains tax (RPGT) rate	**–**	27.1	**–**	2.4
– Prior year adjustments (Note 44)	**–**	(24.7)	**–**	(1.0)
	50.6	63.3	**2.6**	7.8
(Over)/under provision in prior year				
– Current income tax	**(11.1)**	2.6	**(3.3)**	0.9
– Deferred tax (Note 18)	**8.4**	8.5	**–**	(0.1)
	47.9	74.4	**(0.7)**	8.6

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	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Loss before taxation	**(1,335.8)**	(478.8)	**(211.6)**	(104.9)
Taxation at Malaysian statutory rate of 24%	**(320.6)**	(114.9)	**(50.8)**	(25.2)
Income not subject to tax	**(5.8)**	(11.6)	**(8.4)**	(67.4)
Income subject to different tax rates	**(37.7)**	(9.7)	**–**	(0.2)
Share of results in associates and joint ventures	**(39.4)**	(8.3)	**–**	–
Non-deductible expenses	**403.5**	107.9	**61.8**	99.2
Expenses subject to double deduction	**(4.5)**	(4.2)	**–**	–
Effect of changes in real property gains tax (RPGT) rate	**–**	27.1	**–**	1.4
Tax incentives	**(3.4)**	(3.6)	**–**	–
Deferred tax assets not recognised	**64.5**	82.1	**–**	–
Benefit from previously unrecognised tax losses and unabsorbed capital allowances and agricultural allowances	**(6.0)**	(1.5)	**–**	–
	50.6	63.3	**2.6**	7.8
(Over)/under provision in prior year	**(2.7)**	11.1	**(3.3)**	0.8
Taxation recognised in profit or loss	**47.9**	74.4	**(0.7)**	8.6

11. LOSS PER SHARE

Basic and diluted loss per share of the Group is calculated by dividing the consolidated loss for the year attributable to shareholders of the Company of RM1,278.8 million (2018: RM535.4 million) by the weighted average number of ordinary shares in issue during the year of 2,027.0 million (2018: 2,027.0 million).

12. DIVIDENDS

	Dividend amount		Dividend per share	
	2019 RM Million	**2018 RM Million**	**2019 Sen**	**2018 Sen**
Dividends on ordinary shares in respect of financial year ended 31 December				
– First interim	–	50.7	–	2.5
– Second interim	–	20.3	–	1.0
– Third interim	–	30.4	–	1.5
	–	101.4	–	5.0
Fourth interim dividend paid in respect of the previous financial year	–	50.7	–	2.5
	–	152.1	–	7.5

NOTES TO THE FINANCIAL STATEMENTS

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 – 2019						
Cost						
At 1 January 2019	5,371.5	901.3	660.3	1,047.2	1,290.0	9,270.3
Adjustment arising from adoption of MFRS 16 (Note 2)	(1,984.9)	–	–	(1.1)	(0.9)	(1,986.9)
As 1 January 2019, adjusted	3,386.6	901.3	660.3	1,046.1	1,289.1	7,283.4
Additions	44.7	87.5	0.3	33.2	142.1	307.8
Disposals	(1.1)	–	(20.0)	(5.2)	(18.7)	(45.0)
Written off (Note 6)	(0.4)	(17.3)	–	(4.7)	(84.8)	(107.2)
Transfer from/(to):						
– Assets held for sale (Note 29)	223.4	–	–	–	–	223.4
– Investment properties (Note 14)	(21.7)	–	–	–	–	(21.7)
Interest capitalised (Note 9)	–	0.9	–	–	0.2	1.1
Reclassification	(35.0)	–	–	44.3	(9.3)	–
Exchange adjustment	0.3	–	–	0.2	0.5	1.0
At 31 December 2019	3,596.8	972.4	640.6	1,113.9	1,319.1	7,642.8
Accumulated depreciation and impairment losses						
At 1 January 2019	516.9	268.4	443.2	532.7	609.5	2,370.7
Adjustment arising from adoption of MFRS 16 (Note 2)	(79.5)	–	–	(0.2)	(0.4)	(80.1)
As 1 January 2019, adjusted	437.4	268.4	443.2	532.5	609.1	2,290.6
Depreciation charge for the year						
– Recognised in profit or loss (Note 6)	69.1	75.6	19.0	75.0	84.9	323.6
– Capitalised in contract cost	0.7	–	–	4.1	9.0	13.8
Transfer to investment properties (Note 14)	(5.1)	–	–	–	–	(5.1)
Impairment losses	54.1	126.9	80.4	–	26.7	288.1
Disposals	(1.0)	–	(18.0)	(5.0)	(18.0)	(42.0)
Written off (Note 6)	(0.4)	(16.3)	–	(4.0)	(84.5)	(105.2)
Reclassification	(11.9)	–	–	1.6	10.3	–
Exchange adjustment	–	–	–	–	0.3	0.3
At 31 December 2019	542.9	454.6	524.6	604.2	637.8	2,764.1
Net book value						
At 31 December 2019	3,053.9	517.8	116.0	509.7	681.3	4,878.7
Accumulated impairment losses						
At 31 December 2019	59.9	136.7	199.4	–	59.3	455.3

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 – 2018						
Cost						
At 1 January 2018	5,001.5	740.6	716.4	999.9	1,308.6	8,767.0
Additions	689.7	177.2	–	24.4	123.8	1,015.1
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 29)	(333.6)	–	–	–	(22.7)	(356.3)
– Investment property (Note 14)	(35.0)	–	–	–	–	(35.0)
Interest capitalised (Note 9)	1.0	–	–	–	0.2	1.2
Reclassification	57.4	–	–	41.3	(98.7)	–
Exchange adjustment	(5.8)	–	–	(2.2)	1.4	(6.6)
At 31 December 2018	5,371.5	901.3	660.3	1,047.2	1,290.0	9,270.3
Accumulated depreciation and impairment losses						
At 1 January 2018	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 29)	(20.0)	–	–	–	(20.0)	(40.0)
Impairment losses	1.8	–	76.1	–	–	77.9
Disposals	(1.3)	(0.1)	(56.1)	(11.3)	(8.0)	(76.8)
Written off (Note 6)	(0.3)	(16.3)	–	(1.9)	(14.0)	(32.5)
Reclassification	–	–	–	(0.1)	0.1	–
Exchange adjustment	(0.3)	–	–	(0.3)	0.4	(0.2)
At 31 December 2018	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

NOTES TO THE FINANCIAL STATEMENTS

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

	Others RM Million	Total RM Million
Company – 2019		
Cost		
At 1 January 2019	**12.2**	**12.2**
Additions	**0.2**	**0.2**
Disposals	**(0.6)**	**(0.6)**
Transfers to group companies	**(0.1)**	**(0.1)**
At 31 December 2019	**11.7**	**11.7**
Accumulated depreciation		
At 1 January 2019	**8.7**	**8.7**
Charge for the year (Note 6)	**0.8**	**0.8**
Disposals	**(0.2)**	**(0.2)**
At 31 December 2019	**9.3**	**9.3**
Net book value		
At 31 December 2019	**2.4**	**2.4**
Company – 2018		
Cost		
At 1 January 2018	12.2	12.2
Additions	1.0	1.0
Disposals	(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
Disposals	(0.8)	(0.8)
At 31 December 2018	8.7	8.7
Net book value		
At 31 December 2018	3.5	3.5

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

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Analysis of net book value of land and buildings:				
Freehold property				
– Land	**1,512.7**	1,311.1	**–**	–
– Building	**979.4**	1,015.6	**–**	–
	2,492.1	2,326.7	**–**	–
Leasehold property				
Long leasehold				
– Land	**–**	1,902.4	**–**	–
– Building	**382.5**	441.2	**–**	–
Short leasehold				
– Land	**–**	3.0	**–**	–
– Building	**179.3**	181.3	**–**	–
	561.8	2,527.9	**–**	–
	3,053.9	4,854.6	**–**	–

Included in the Group's other property, plant and equipment is capital work in progress costing RM116.3 million (2018: RM158.9 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 RM1.1 million (2018: RM1.2 million).

The net carrying amount of property, plant and equipment pledged as securities for borrowings as disclosed in Note 33 is RM107.6 million (2018: RM101.2 million).

The freehold land of a subsidiary with carrying values of RM716.9 million (2018: RM716.9 million) are held by CIMB Islamic Trustee Berhad, acting as trustee for the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

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

During the financial year, management had identified external and internal indicators of impairment in respect of property, plant and equipment. Management had undertaken an assessment of the recoverable amount of the assets. Recoverable amount is defined as the higher of value in use and fair value less cost of disposal.

The aforementioned impairment review give rise to a total impairment loss of RM288.1 million (2018: RM77.9 million) recognised in current year of which:

(a) RM80.4 million (2018: RM77.9 million) related to aircraft (2018: building and aircraft) of Heavy Industries Division. These assets were not in use upon termination of contracts by the counter parties.

The recoverable amount of the aircraft was RM93.5 million (2018: RM203.8 million) was based on fair value less cost of disposal which was derived from valuation by an independent professional valuer, estimated based on comparisons with recent transactions involving other similar assets (Level 3 of the fair value hierarchy). In the prior year, a building was written down to its recoverable amount amounted to RM Nil.

(b) RM47.1 million related to a loss making hotel property of Property Division.

The recoverable amount of the property of RM95.8 million was based on fair value less cost of disposal which derived from valuation by an independent professional valuer, estimated based on cost approach (Level 3 of the fair value hierarchy).

(c) RM160.6 million together with impairment of right-of-use of assets of RM15.4 million in relation to oil palm estates and mill of Plantation Division. The recoverable amount estimated in relation to the impaired estates and the impaired mill of Plantation Division was RM1,013.9 million based on their fair value less costs of disposal. The fair value of these assets are determined by independent professional valuers using the income approach (Level 3 of the fair value hierarchy). The key assumptions to which the recoverable amount is most sensitive are disclosed below:

Discount rate:	
– Net income of the oil palm cultivation	8.0% – 10.8%
– Improved land value	2.5% – 4.0%
Long-term average crude palm oil prices	RM2,360 per metric tonne – RM2,500 per metric tonne

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

Movement of bearer plants are as follows:-

	Mature RM Million	Immature RM Million	Total RM Million
Group – 2019			
Cost			
At 1 January 2019	821.8	79.5	901.3
Additions	47.4	40.1	87.5
Interest capitalised	–	0.9	0.9
Reclassification	24.8	(24.8)	–
Write off	(17.3)	–	(17.3)
At 31 December 2019	876.7	95.7	972.4
Accumulated depreciation			
At 1 January 2019	258.6	–	258.6
Charge for year	75.6	–	75.6
Write off	(16.3)	–	(16.3)
At 31 December 2019	317.9	–	317.9
Accumulated impairment losses			
At 1 January 2019	9.8	–	9.8
Impairment losses for the year	126.3	0.6	126.9
At 31 December 2019	136.1	0.6	136.7
Net carrying amount			
At 31 December 2019	422.7	95.1	517.8

NOTES TO THE FINANCIAL STATEMENTS

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 – 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			
At 1 January 2018	207.8	–	207.8
Charge for year	67.0	–	67.0
Disposals	(0.1)	–	(0.1)
Write off	(16.1)	–	(16.1)
At 31 December 2018	258.6	–	258.6
Accumulated impairment losses			
At 1 January 2018	10.0	–	10.0
Write off	(0.2)	–	(0.2)
At 31 December 2018	9.8	–	9.8
Net carrying amount			
At 31 December 2018	553.4	79.5	632.9

14. INVESTMENT PROPERTIES

	Completed investment properties RM Million	Investment properties under construction at cost RM Million	Total RM Million
Group			
At 1 January 2018	1,575.1	229.7	1,804.8
Prior year adjustments (Note 44(i))	(310.0)	–	(310.0)
At 1 January 2018, restated	1,265.1	229.7	1,494.8
Fair value gain as reported in 2018 financial statements	32.6	–	32.6
Prior year adjustments (Note 44(iii))	(92.0)	–	(92.0)
Fair value loss, restated	(59.4)	–	(59.4)
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, restated/1 January 2019	**1,496.5**	**6.9**	**1,503.4**
Fair value loss	**(7.6)**	**–**	**(7.6)**
Additions from subsequent expenditure	**2.4**	**–**	**2.4**
Transfer from property, plant and equipment (Note 13)	**16.6**	**–**	**16.6**
Transfer from right-of-use assets (Note 15)	**53.3**	**–**	**53.3**
At 31 December 2019	**1,561.2**	**6.9**	**1,568.1**
Company			
At 1 January 2018	121.1	–	121.1
Prior year adjustments (Note 44(iv))	(16.5)	–	(16.5)
At 1 January 2018, restated	104.6	–	104.6
Fair value gain as reported in 2018 financial statements	4.2	–	4.2
Prior year adjustments (Note 44(vi))	(1.5)	–	(1.5)
Fair value gain, restated	2.7	–	2.7
Additions for subsequent expenditure	0.2	–	0.2
At 31 December 2018, restated/1 January 2019	**107.5**	–	**107.5**
Fair value loss	**(3.5)**	–	**(3.5)**
Additions from subsequent expenditure	**0.5**	–	**0.5**
At 31 December 2019	**104.5**	–	**104.5**

Additions to the Group's investment properties under construction during the year include the capitalisation of interest cost of RM Nil (2018: RM4.1 million) as disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

15. LEASE

Group/Company as a lessee

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

	Land & buildings RM Million	Plant & machinery RM Million	Motor vehicles RM Million	Other equipment RM Million	Total RM Million
Group					
Cost					
At 1 January 2019	–	–	–	–	–
Adjustment arising from adoption of MFRS 16 (Note 2)	2,428.1	1.1	1.1	0.3	2,430.6
At 1 January 2019, adjusted	2,428.1	1.1	1.1	0.3	2,430.6
Additions	328.1	–	–	1.9	330.0
Derecognition	(1.2)	–	–	–	(1.2)
Transfer to investment properties (Note 14)	(64.5)	–	–	–	(64.5)
At 31 December 2019	2,690.5	1.1	1.1	2.2	2,694.9
Accumulated Depreciation and Impairment Losses					
At 1 January 2019	–	–	–	–	–
Adjustment arising from adoption of MFRS 16 (Note 2)	219.8	0.2	0.4	–	220.4
At 1 January 2019, adjusted	219.8	0.2	0.4	–	220.4
Charge for the year (Note 6)	59.5	0.1	0.3	0.2	60.1
Derecognition	(0.7)	–	–	–	(0.7)
Impairment losses	22.4	–	–	–	22.4
Transfer to investment properties (Note 14)	(11.2)	–	–	–	(11.2)
At 31 December 2019	289.8	0.3	0.7	0.2	291.0
Net Book Value					
At 31 December 2019	2,400.7	0.8	0.4	2.0	2,403.9

15. LEASE (CONT'D.)

Group/Company as a lessee (cont'd.)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year. (cont'd.)

	Land & buildings RM Million	Total RM Million
Company		
Cost		
At 1 January 2019	–	–
Adjustment arising from adoption of MFRS 16 (Note 2)	14.5	14.5
At 1 January 2019, adjusted	14.5	14.5
Additions	–	–
At 31 December 2019	14.5	14.5
Accumulated Depreciation and Impairment Losses		
At 1 January 2019	–	–
Adjustment arising from adoption of MFRS 16 (Note 2)	–	–
At 1 January 2019, adjusted	–	–
Charge for the year (Note 6)	2.5	2.5
At 31 December 2019	2.5	2.5
Net Book Value		
At 31 December 2019	12.0	12.0

Set out below are the carrying amounts of lease liabilities and the movements during the year.

	Group RM Million	Company RM Million
At 1 January 2019	–	–
Adjustment arising from adoption of MFRS 16 (Note 2)	45.0	14.5
At 1 January 2019, adjusted	45.0	14.5
Additions	3.3	–
Accretion of interest (Note 9)	2.2	0.7
Lease payments	(9.2)	(3.0)
At 31 December 2019	41.3	12.2
Current	11.2	2.3
Non-current	30.1	9.9
	41.3	12.2

NOTES TO THE FINANCIAL STATEMENTS

15. LEASE (CONT'D.)

Group/Company as a lessee (cont'd.)

The following are the amounts recognised in profit or loss:

	Group RM Million	Company RM Million
Depreciation expenses of right-of-use assets (Note 6)	**60.1**	**2.5**
Interest expense on lease liabilities (Note 9)	**2.2**	**0.7**
Impairment losses	**22.4**	**–**
Expenses relating to short term lease (Note 6)	**15.8**	**–**
Expenses relating to leases of low-value assets (Note 6)	**7.6**	**–**
Variable lease payment (Note 6)	**0.9**	**–**
	109.0	**3.2**

The Group and Company had total cash outflow for leases of RM9.2 million and RM3.0 million respectively in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of RM9.0 million in 2019.

The leasehold land of a subsidiary with carrying book values of RM186.6 million (2018: RM187.9 million) are held by CIMB Islamic Trustee Berhad, acting as trustee for the subsidiary.

The leasehold land of subsidiaries with carrying amount of RM65.0 million are subleased from the registered owners.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2019 RM Million	**2018 RM Million**
Cost		
At 1 January	**66.4**	66.4
Adjustment arising from adoption of MFRS 16 (Note 2)	**(66.4)**	–
At 31 December 2019/1 January 2019, adjusted/31 December 2018	**–**	66.4
Accumulated amortisation		
At 1 January	**16.8**	14.7
Adjustment arising from adoption of MFRS 16 (Note 2)	**(16.8)**	–
At 1 January 2019, adjusted/1 January 2018	**–**	14.7
Charge for the year (Note 6)	**–**	2.1
At 31 December 2019/31 December 2018	**–**	16.8
Net book value		
At 31 December	**–**	49.6
Amount to be amortised		
– Within 1 year	**–**	2.1
– Later than 1 year but not later than 5 years	**–**	8.4
– Later than 5 years	**–**	39.1
	–	49.6

17. LONG TERM PREPAYMENTS

	Group	
	2019 RM Million	**2018 RM Million**
At 1 January	**207.1**	201.8
Adjustment arising from adoption of MFRS 16 (Note 2)	**(207.1)**	–
At 1 January 2019, adjusted/1 January 2018	**–**	201.8
Additions	**–**	20.8
Charge for the year (Note 6)	**–**	(13.0)
Disposal	**–**	(2.5)
At 31 December	**–**	207.1

Long term prepayments comprise mainly prepaid rentals made to service station operators and land owners in respect of the Group's service station activities. These prepayments are amortised over the tenure of the agreements.

NOTES TO THE FINANCIAL STATEMENTS

18. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
At 1 January	**(322.7)**	(337.5)	**(3.6)**	(2.7)
Adjustment arising from adoption of MFRS 9	**–**	2.8	**–**	–
At 1 January 2019/1 January 2018, as previously stated	**(322.7)**	(334.7)	**(3.6)**	(2.7)
Prior year adjustments (Note 44)	**–**	15.5	**–**	0.8
At 1 January 2019/1 January 2018, restated	**(322.7)**	(319.2)	**(3.6)**	(1.9)
Recognised in income statement as reported in the 2018 financial statements	**–**	(0.3)	**–**	(2.7)
Prior year adjustments (Note 44)	**–**	24.7	**–**	1.0
Recognised in income statement, restated (Note 10)	**–**	24.4	**–**	(1.7)
Recognised in profit or loss (Note 10)	**42.2**	–	**0.4**	–
Recognised in equity	**–**	(29.0)	**–**	–
Exchange adjustment	**(0.6)**	1.1	**–**	–
At 31 December 2019/31 December 2018, restated	**(281.1)**	(322.7)	**(3.2)**	(3.6)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**53.1**	68.3	**–**	–
Deferred tax liabilities	**(334.2)**	(391.0)	**(3.2)**	(3.6)
	(281.1)	(322.7)	**(3.2)**	(3.6)

Deferred tax liabilities of the Company comprise mainly the taxable temporary differences on the Company's investment property. As disclosed in Note 44, the Company recognised prior year adjustments of deferred tax liabilities.

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 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 and 1 January 2019	**53.9**	**83.8**	**59.8**	**197.5**
Recognised in profit or loss	**(8.9)**	**5.0**	**(55.6)**	**(59.5)**
At 31 December 2019	**45.0**	**88.8**	**4.2**	**138.0**

18. 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: (cont'd.)

	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 2018	(27.1)	(437.8)	(57.6)	(522.5)
Adjustment arising from adoption of MFRS 9	–	–	2.8	2.8
At 1 January 2018, as previously stated	(27.1)	(437.8)	(54.8)	(519.7)
Prior year adjustments (Note 44(i))	15.5	–	–	15.5
At 1 January 2018, restated	(11.6)	(437.8)	(54.8)	(504.2)
Recognised in the income statement as reported in the 2018 financial statements	(31.7)	36.0	(17.1)	(12.8)
Prior year adjustments (Note 44(iii))	24.7	–	–	24.7
Recognised in income statement, restated	(7.0)	36.0	(17.1)	11.9
Recognised in equity	–	(29.0)	–	(29.0)
Exchange adjustment	–	0.2	0.9	1.1
At 31 December 2018, restated/1 January 2019	**(18.6)**	**(430.6)**	**(71.0)**	**(520.2)**
Recognised in profit or loss	**(23.3)**	**36.4**	**88.6**	**101.7**
Exchange adjustment	**–**	**–**	**(0.6)**	**(0.6)**
At 31 December 2019	**(41.9)**	**(394.2)**	**17.0**	**(419.1)**

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

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Unused tax losses	**1,574.7**	1,366.1	**–**	–
Unabsorbed capital allowances and agricultural allowances	**438.9**	403.7	**–**	–
Unabsorbed investment tax allowances	**140.1**	140.1	**–**	–
	2,153.7	1,909.9	**–**	–

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.

NOTES TO THE FINANCIAL STATEMENTS

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

In Malaysia, the unutilised business losses and unabsorbed investment tax allowances can be carried forward and available for use for seven years starting from the year of assessment 2018.

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.

19. SUBSIDIARIES

	Company	
	2019 RM Million	**2018 RM Million**
At cost	**3,243.9**	3,243.9
Accumulated impairment losses		
At 1 January	**(216.9)**	(15.6)
Impairment losses (Note 8)	**(149.6)**	(201.3)
At 31 December	**(366.5)**	(216.9)
Total carrying amount	**2,877.4**	3,027.0
Shares quoted in Malaysia	**902.8**	990.6
Unquoted shares	**1,984.6**	2,036.4
Total carrying amount	**2,887.4**	3,027.0
Market value of quoted shares	**1,485.1**	1,582.4

As at 31 December 2019, the market value of the Company's investment in Boustead Heavy Industries Corporation Berhad (BHIC) is lower than its carrying amount and certain subsidiaries of the Company including MHS Aviation Berhad (MHSA) and Boustead Cruise Centre Sdn Bhd (BCC) have also reported continuing operating losses and depleting shareholder's funds.

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) As at 31 December 2019, the recoverable amount in respect of BHIC is based on the share price of BHIC and the impairment losses recognised during the year is RM87.8 million. In the previous financial year, 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);

19. SUBSIDIARIES (CONT'D.)

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: (cont'd.)

(b) In respect of MHSA and BCC, the impairment losses recognised are RM25.5 million and RM36.3 million respectively. The recoverable amounts are based on FVLCD, determined from their net assets adjusted for fair value of property, plant and equipment valued by independent professional valuers.

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 – 2019					
NCI percentage of ownership interest and voting interest	**40%**	**43%**	**44%**		
Carrying amount of NCI	**308.9**	**938.5**	**197.3**	**(94.9)**	**1,349.8**
Profit/(loss) allocated to NCI	**63.8**	**(73.9)**	**(67.2)**	**(109.6)**	**(186.9)**
Dividends paid to NCI	**22.1**	**9.5**	**12.3**	**24.9**	**68.8**

NOTES TO THE FINANCIAL STATEMENTS

19. SUBSIDIARIES (CONT'D.)

Non-controlling interests in subsidiaries (cont'd.)

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 2019			
Non-current assets	1,014.3	4,047.3	658.6
Current assets	317.1	152.3	933.7
Non-current liabilities	(46.9)	(936.1)	(34.8)
Current liabilities	(656.9)	(811.3)	(1,200.6)
Net assets	627.6	2,452.2	356.9
Year ended 31 December 2019			
Revenue	4,786.3	577.2	2,820.5
Profit/(loss) for the year	107.7	(157.3)	(149.4)
Other comprehensive income	–	0.8	2.3
Total comprehensive income/(loss)	107.7	(156.5)	(147.1)
Cash flows from/(used in)			
Operating activities	497.5	149.1	189.8
Investing activities	(78.7)	(316.6)	(72.7)
Financing activities	(442.2)	135.3	(125.3)
Net decrease in cash and cash equivalents	(23.4)	(32.2)	(8.2)

19. SUBSIDIARIES (CONT'D.)

Non-controlling interests in 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 – 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

NOTES TO THE FINANCIAL STATEMENTS

20. ASSOCIATES

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
At cost				
Shares quoted in Malaysia	**901.1**	881.0	**901.1**	881.0
Unquoted shares	**91.1**	91.1	**58.4**	58.4
	992.2	972.1	**959.5**	939.4
Shares of post acquisition reserves	**1,124.3**	999.3	**–**	–
	2,116.5	1,971.4	**959.5**	939.4
Market value of quoted shares	**782.1**	896.5	**782.1**	896.5

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 – 2019	
Percentage of ownership interest	**20.7%**
As at 31 December 2019	
Total assets	**68,341.3**
Total liabilities and non-controlling interest	**(58,996.0)**
Net assets	**9,345.3**
Year ended 31 December 2019	
Revenue	**3,573.8**
Profit for the year	**487.8**
Other comprehensive income	**137.5**
Total comprehensive income	**625.3**

20. 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 2019			
Group's share of net assets	**1,934.5**	**162.5**	**2,097.0**
Goodwill	**15.2**	**4.3**	**19.5**
Carrying amount in the statement of financial position	**1,949.7**	**166.8**	**2,116.5**
Group's share of results for the year ended 31 December 2019			
Group's share of profit	**100.9**	**16.1**	**117.0**
Group's share of other comprehensive income/(loss)	**28.5**	**(0.5)**	**28.0**
Group's share of total comprehensive income	**129.4**	**15.6**	**145.0**
Other information			
Dividends received by the Group	**–**	**10.0**	**10.0**

	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

NOTES TO THE FINANCIAL STATEMENTS

20. 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

21. JOINT VENTURES

	Group	
	2019 RM Million	**2018 RM Million**
Unquoted shares		
Cost		
At 1 January	**545.6**	484.5
Addition	**–**	61.1
At 31 December	**545.6**	545.6
Share of post acquisition reserves:		
At 1 January 2019/1 January 2018	**(25.3)**	67.9
Prior year adjustments (Note 44)	**–**	(12.6)
Adjustment arising from adoption of MFRS 16 (Note 2)	**(6.2)**	–
At 1 January 2019, adjusted/1 January 2018, restated	**(31.5)**	55.3
Share of profit and reserve for the year as reported in 2018 financial statements	**–**	(81.7)
Prior year adjustments (Note 44)	**–**	1.1
Share of profit and reserve for the year, restated	**–**	(80.6)
Share of profit and reserve for the year	**45.4**	–
At 31 December 2019/31 December 2018, restated	**13.9**	(25.3)
Total carrying amount	**559.5**	520.3

21. JOINT VENTURES (CONT'D.)

	Company	
	2019 RM Million	**2018 RM Million**
Unquoted shares		
Cost	**250.0**	250.0
Impairment losses	**(69.9)**	(109.8)
	180.1	140.2

Impairment loss recognised in profit or loss in prior year of RM109.8 million 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. Reversal of impairment loss recognised in profit or loss in current financial year of RM39.9 million relates to additional compensation awarded during the year.

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 – 2019		
Percentage of ownership interest	**50%**	**50%**
As at 31 December 2019		
Non-current assets	**551.8**	**1,834.6**
Cash and cash equivalents	**141.4**	**35.5**
Other current assets	**124.6**	**27.9**
Total current assets	**266.0**	**63.4**
Total assets	**817.8**	**1,898.0**
Trade and other payables	**39.8**	**–**
Other non-current financial liabilities	**282.2**	**834.9**
Total non-current liabilities	**322.0**	**834.9**
Trade and other payables	**5.0**	**28.9**
Other current financial liabilities	**102.7**	**447.5**
Total current liabilities	**107.7**	**476.4**
Non-controlling interests	**55.9**	**–**
Total liabilities and non-controlling interests	**485.6**	**1,311.3**
Net assets	**332.2**	**586.7**

NOTES TO THE FINANCIAL STATEMENTS

21. JOINT VENTURES (CONT'D.)

Material joint ventures (cont'd.)

	Irat RM Million	BISB RM Million
Group – 2019 (cont'd.)		
Year ended 31 December 2019		
Revenue	25.1	83.8
Profit/(loss) for the year	86.2	(10.5)
Other comprehensive income	–	2.2
Total comprehensive income/(loss)	86.2	(8.3)

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

	Irat RM Million	BISB RM Million
Depreciation	–	7.6
Interest income	(0.3)	(0.1)
Interest expense	47.6	69.1
Taxation	0.6	(5.6)

	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 2019				
Group's share of net assets	166.1	293.3	95.5	554.9
Goodwill	0.2	–	4.4	4.6
Carrying amount in the statement of financial position	166.3	293.3	99.9	559.5
Group's share of results for the year ended 31 December 2019				
Group's share of profit/(loss)	43.1	(5.3)	9.2	47.0
Group's share of other comprehensive income	–	1.1	–	1.1
Group's share of total comprehensive income/(loss)	43.1	(4.2)	9.2	48.1
Other information				
Dividends received by the Group	–	–	2.7	2.7

21. JOINT VENTURES (CONT'D.)

Material joint ventures (cont'd.)

	Irat RM Million Restated	BISB RM Million
Group – 2018		
Percentage of ownership interest	50%	50%
As at 31 December 2018		
Non-current assets	1,093.2	1,815.4
Cash and cash equivalents	6.1	36.1
Other current assets	48.2	29.8
Total current assets	54.3	65.9
Total assets	1,147.5	1,881.3
Trade and other payables and provisions	40.2	–
Non-current financial liabilities	435.3	857.4
Total non-current liabilities	475.5	857.4
Trade and other payables and provisions	187.3	35.8
Current financial liabilities	169.1	393.1
Total current liabilities	356.4	428.9
Non-controlling interests	57.2	–
Total liabilities and non-controlling interests	889.1	1,286.3
Net assets	258.4	595.0
Year ended 31 December 2018		
Revenue	51.6	77.6
Loss for the year	(73.0)	(73.9)
Other comprehensive income	–	3.9
Total comprehensive loss	(73.0)	(70.0)

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

Depreciation	3.1	6.2
Interest income	(0.4)	(0.4)
Interest expense	48.1	69.4
Taxation	10.9	(0.6)

NOTES TO THE FINANCIAL STATEMENTS

21. JOINT VENTURES (CONT'D.)

Material joint ventures (cont'd.)

	Irat RM Million Restated	BISB RM Million	JV that are not individually material RM Million	Total RM Million Restated
Reconciliation of net assets to carrying amount as at 31 December 2018				
Group's share of net assets	129.2	297.5	89.0	515.7
Goodwill	0.2	–	4.4	4.6
Carrying amount in the statement of financial position	129.4	297.5	93.4	520.3
Group's share of results for the year ended 31 December 2018				
Group's share of loss	(36.5)	(36.9)	(7.5)	(80.9)
Group's share of other comprehensive income	–	1.9	–	1.9
Group's share of total comprehensive loss	(36.5)	(35.0)	(7.5)	(79.0)
Other information				
Dividends received by the Group	–	–	1.6	1.6

22. INVESTMENTS

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
At 1 January	**18.7**	35.7	**4.7**	6.1
Fair value loss	**(0.1)**	(3.0)	**–**	(1.4)
Disposal	**(8.4)**	(14.0)	**–**	–
At 31 December	**10.2**	18.7	**4.7**	4.7

The investments in quoted shares are stated at market value.

23. 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 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 and 1 January 2019	**1,224.8**	**75.0**	**304.8**	**69.5**	**1,674.1**
Additions	**–**	**–**	**38.0**	**11.5**	**49.5**
Exchange adjustment	**1.3**	**–**	**–**	**0.2**	**1.5**
At 31 December 2019	**1,226.1**	**75.0**	**342.8**	**81.2**	**1,725.1**
Accumulated amortisation and impairment losses					
At 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	106.2	–	–	–	106.2
Exchange adjustment	–	–	–	(1.8)	(1.8)
At 31 December 2018 and 1 January 2019	**156.1**	**67.3**	**95.5**	**9.2**	**328.1**
Amortisation for the year (Note 6)	**–**	**7.7**	**–**	**3.9**	**11.6**
Accelerated amortisation	**–**	**–**	**247.3**	**–**	**247.3**
Impairment losses	**763.3**	**–**	**–**	**–**	**763.3**
Exchange adjustment	**–**	**–**	**–**	**0.4**	**0.4**
At 31 December 2019	**919.4**	**75.0**	**342.8**	**13.5**	**1,350.7**
Net carrying amount					
At 31 December 2019	**306.7**	**–**	**–**	**67.7**	**374.4**
At 31 December 2018	1,068.7	7.7	209.3	60.3	1,346.0

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.

NOTES TO THE FINANCIAL STATEMENTS

23. INTANGIBLE ASSETS (CONT'D.)

Goodwill

In prior year, the carrying amount of goodwill allocated to Heavy Industries Division is RM829.1 million of which RM725.2 million is allocated to Boustead Naval Shipyard Sdn Bhd (BNS) and RM38.1 million to MHS Aviation Berhad (MHSA), partially owned subsidiaries of the Group. As at current financial year, the carrying amount of goodwill allocated to Heavy Industries Division of RM65.8 million is entirely related to Boustead Heavy Industries Corporation (BHIC).

The remaining goodwill of RM240.9 million (2018: RM239.6 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 RM763.3 million (2018: RM106.2 million) of which RM725.2 million and RM38.1 million (2018: RM97.0 million and RM9.2 million) relate to impairment of goodwill allocated to BNS and MHSA respectively. BNS had experienced declining project margins, while aircraft owned by MHSA, remains not in use upon the termination of contract by the counterparties. Both, BNS and MHSA are within the Heavy Industries Division.

In relation to the impairment of goodwill allocated to BNS, the recoverable amount is determined using VIU based on cash flow projections approved by the board of directors based on order book or future contracts that are probable to be secured. Pre-tax discount rate of 14% (2018: 12%) and terminal growth rate of Nil% (2018: Nil%) have been applied in the VIU. The recoverable amount of BNS CGU, determined via VIU is RM948.2 million (2018: RM1,006.5 million).

In relation to the impairment of goodwill allocated to MHSA, the recoverable amount of RM76.9 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 the remaining goodwill, the recoverable amounts are determined based on fair values less cost of disposal (quoted prices, 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 (Level 3 of the fair value hierarchy). 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. INTANGIBLE ASSETS (CONT'D.)

Amortisation of rights to supply

Under the Concession Agreement signed between a subsidiary of the Group and the Government of Malaysia on 16 March 2011, the subsidiary is required to design, develop, supply, install, configure, test and commission, maintain and operate the Pharmacy Information System (PhIS) and Clinic Pharmacy System (CPS) (collectively referred to as the Systems) which are required to be completed within the concession period. The title of the PhIS and CPS systems would vest with the Government of Malaysia.

Given the recent development surrounding the concession arrangement as disclosed in Note 43(g), the subsidiary has reassessed the remaining useful life of the 'rights to supply' intangible assets. Notwithstanding the Ministry of Health's decision of extending the Concession Agreement for a further 25 months from 1 December 2019, there remains uncertainty surrounding the actual concession period. Accordingly, the subsidiary has decided to fully amortise this intangible asset by 31 December 2019. The impact of the revision in useful life has been accounted for prospectively as a change in estimate, resulting in the recognition of an accelerated amortisation charge of RM247.3 million during the financial year ended 31 December 2019.

24. INVENTORIES

	Group	
	2019 RM Million	**2018 RM Million**
Non-current		
Land held for property development	**858.2**	759.9
Current		
Raw materials and work in progress	**137.8**	128.1
Goods for resale	**669.5**	776.2
Estate produce	**14.3**	15.8
Completed properties	**13.0**	19.4
Consumable stores	**29.4**	38.0
Property development in progress	**171.6**	131.7
	1,035.6	1,109.2

During the financial year, there was a net write down of inventories of RM28.7 million (2018: RM32.8 million) as disclosed in Note 6. The amount of inventories recognised as an expense of the Group amounted to RM8,163.7 million (2018: RM8,172.2 million).

NOTES TO THE FINANCIAL STATEMENTS

24. INVENTORIES (CONT'D.)

Land held for property development

	Group	
	2019 RM Million	**2018 RM Million**
At 1 January		
– Freehold land, at cost	**365.9**	242.1
– Long leasehold land, at cost	**2.6**	3.1
– Development costs	**391.4**	345.9
	759.9	591.1
Transfer to property development in progress		
– Freehold land	**–**	(19.7)
– Long leasehold land	**(0.3)**	(0.5)
– Development costs	**(153.2)**	(172.4)
	(153.5)	(192.6)
Cost incurred during the year		
– Development costs	**251.8**	217.9
– Land acquisition	**–**	143.5
	251.8	361.4
At 31 December	**858.2**	759.9
Interest cost capitalised during the year (Note 9)	**21.7**	24.6

24. INVENTORIES (CONT'D.)

Property development in progress

	Group	
	2019 RM Million	**2018 RM Million**
At 1 January	**131.7**	38.4
Cost incurred during the year:		
Development costs incurred during the year	**9.7**	11.4
Cost recognised in profit or loss	**(21.4)**	–
	(11.7)	11.4
Transfer from/(to):		
Development properties	**153.5**	192.6
Inventories	**(12.3)**	(5.5)
Contract costs assets	**(89.6)**	(105.2)
At 31 December	**171.6**	131.7
Interest cost capitalised during the year (Note 9)	**1.4**	5.2

NOTES TO THE FINANCIAL STATEMENTS

25. RECEIVABLES

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Non-current				
Amounts due from subsidiaries	**–**	–	**2,270.4**	2,107.3
Amounts due from joint ventures	**202.6**	335.2	**–**	177.8
	202.6	335.2	**2,270.4**	2,285.1
Allowance for expected credit loss:				
– Amount due from subsidiaries	**–**	–	**(97.0)**	(27.4)
	202.6	335.2	**2,173.4**	2,257.7
Current				
Trade receivables	**662.1**	801.8	**–**	–
Allowance for expected credit loss	**(49.7)**	(64.1)	**–**	–
	612.4	737.7	**–**	–
Dividends receivable	**–**	20.1	**2.5**	53.1
Deposits	**25.0**	85.8	**–**	–
Prepayments	**34.1**	42.1	**0.7**	0.3
Income tax receivable	**22.5**	35.9	**2.0**	3.2
Advances paid to suppliers	**7.3**	5.1	**–**	–
Other receivables	**243.4**	433.6	**7.1**	6.6
Amount due from holding corporation	**1.8**	0.5	**–**	–
Amounts due from subsidiaries	**–**	–	**224.8**	139.2
Amounts due from associates	**5.2**	7.1	**1.5**	1.5
Amounts due from joint ventures	**47.9**	109.5	**1.1**	1.2
Amounts due from other related companies	**5.9**	108.5	**–**	–
	1,005.5	1,585.9	**239.7**	205.1
Allowance for expected credit loss:				
– Other receivables	**(35.1)**	(35.1)	**(5.9)**	(5.9)
– Amounts due from subsidiaries	**–**	–	**(0.6)**	(0.1)
– Amounts due from joint ventures	**(37.8)**	(22.3)	**–**	–
	(72.9)	(57.4)	**(6.5)**	(6.0)
	932.6	1,528.5	**233.2**	199.1

25. RECEIVABLES (CONT'D.)

The Group's normal trade credit terms range from payments in advance to 90 days (2018: 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 5.8% (2018: 6.0%) per annum and are repayable on demand.

Amounts due from joint ventures of RM203.9 million (2018: RM365.5 million) and RM1.1 million (2018: RM179.0 million) for the Group and the Company respectively are unsecured, bear interest at a weighted average rate of 6.0% (2018: 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.

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

	Group	
	2019 RM Million	**2018 RM Million**
Neither past due nor impaired	**313.6**	350.9
Past due but not impaired		
– Less than 30 days	**129.7**	133.8
– 31 to 60 days	**33.8**	104.3
– 61 to 90 days	**24.0**	28.5
– 91 to 120 days	**31.2**	17.6
– More than 120 days	**80.1**	102.6
	298.8	386.8
Estimated total gross carrying amount at default	**49.7**	64.1
	662.1	801.8

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.

NOTES TO THE FINANCIAL STATEMENTS

25. RECEIVABLES (CONT'D.)

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.

Movement in allowance accounts

	Group	
	2019 RM Million	**2018 RM Million**
Trade receivables		
At 1 January	**64.1**	57.9
Adjustment arising from adoption of MFRS 9	**–**	11.5
Allowance for expected credit loss (Note 6)	**11.3**	13.8
Reversal of allowance for expected credit loss (Note 6)	**(17.8)**	(7.5)
Written off	**(6.1)**	(11.2)
Exchange adjustment	**(1.8)**	(0.4)
At 31 December	**49.7**	64.1

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Other receivables				
At 1 January	**35.1**	27.0	**5.9**	3.4
Adjustment arising from adoption of MFRS 9	**–**	3.1	**–**	–
Allowance for expected credit loss (Note 6)	**–**	5.0	**–**	2.5
At 31 December	**35.1**	35.1	**5.9**	5.9

25. RECEIVABLES (CONT'D.)

Movement in allowance accounts (cont'd.)

	Company	
	2019 RM Million	**2018 RM Million**
Amounts due from subsidiaries		
At 1 January	**27.5**	4.9
Allowance for expected credit loss (Note 6)	**70.1**	24.4
Written off	**–**	(1.8)
At 31 December	**97.6**	27.5

	Group	
	2019 RM Million	**2018 RM Million**
Amounts due from joint ventures		
At 1 January	**22.3**	–
Allowance for expected credit loss (Note 6)	**15.5**	22.3
At 31 December	**37.8**	22.3

26. BIOLOGICAL ASSETS

	Group	
	2019 RM Million	**2018 RM Million**
At fair value less cost to sell:		
At 1 January	**15.7**	23.0
Fair value gain/(loss) (Note 6)	**6.5**	(7.3)
At 31 December	**22.2**	15.7

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 47,612 (2018: 61,760) 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.

NOTES TO THE FINANCIAL STATEMENTS

27. CONTRACT ASSETS/(LIABILITIES) AND CONTRACT COST ASSETS

	Group	
	2019 RM Million	**2018 RM Million**
Contract assets		
Contract assets from shipbuilding and ship repair	**859.0**	914.0
Accrued billings in respect of property development costs	**54.5**	80.7
	913.5	994.7
Contract cost assets in respect of property development costs		
At 1 January	**5.9**	0.4
Additions	**158.3**	176.6
Amortisation recognised in profit or loss	**(152.8)**	(171.1)
At 31 December	**11.4**	5.9
Total contract assets and contract cost assets	**924.9**	1,000.6
Contract liabilities		
Contract liabilities from shipbuilding and ship repair	**(54.2)**	(108.7)
Progress billings in respect of property development costs	**–**	(2.5)
Contract with customers for supply of medical and non-medical equipment	**(6.8)**	–
	(61.0)	(111.2)

Set out below is the amount of revenue recognised from:

	Group	
	2019 RM Million	**2018 RM Million**
Amounts included in contract liabilities at the beginning of the year:		
– Shipbuilding and ship repair	**105.6**	67.2
– Property development	**2.5**	0.4
Performance obligations satisfied in previous years:		
– Shipbuilding and ship repair	**1.2**	7.3
	109.3	74.9

27. CONTRACT ASSETS/(LIABILITIES) AND CONTRACT COST ASSETS (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 achieving billing milestones. Upon billing milestones, the contract assets are reclassified to trade receivables.

Contract liability is initially 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 previous financial year, allowance for expected credit loss of RM12.3 million was recognised against the contract assets. During the financial year, reversal of allowance for expected credit loss of RM1.2 million is recognised from the contract assets.

As at 31 December 2019, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) of RM3,095.0 million (2018: RM3,858.2 million) relates to the contracts with customers for shipbuilding, repair and maintenance and rendering of services.

(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 2019, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) of RM106.9 million (2018: RM120.4 million) relates to the contracts for property development activities.

(c) Revenue from supply of medical and non-medical equipment

The Group entered into a contract during the financial year to supply medical and non-medical equipment. Contract is billed progressively in accordance with the signed agreement. The schedule of billings does not correspond with the revenue recognition which is determined by reference to the progress towards completing the performance obligations.

As at 31 December 2019, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) of RM144.2 million (2018: RM35.2 million) relates to the contract with customers for supply of medical and non-medical equipment.

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

	Group	
	2019 RM Million	**2018 RM Million**
As at 1 January	**12.3**	–
Allowance for expected credit loss (Note 6)	**–**	12.3
Reversal of allowance for expected credit loss (Note 6)	**(1.2)**	–
As at 31 December	**11.1**	12.3

NOTES TO THE FINANCIAL STATEMENTS

28. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Deposits with financial institutions	**559.1**	449.3	**431.7**	197.6
Cash held under Housing Development Accounts	**58.0**	43.3	**–**	–
Cash and bank balances	**324.3**	260.7	**0.5**	2.2
	941.4	753.3	**432.2**	199.8

The average maturity periods of the Group's and the Company's fixed deposits with financial institutions are 18 days (2018: 69 days) and 15 days (2018: 10 days) respectively. Bank balances are monies placed in current accounts with licensed banks which do not earn any interest.

The total amount of cash and bank balances and deposits placed by the Group and the Company with the financial institutions which are Government-related entities amounted to RM628.2 million (2018: RM437.2 million) and RM250.2 million (2018: RM33.9 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 and cash and bank balances with financial institutions of the Group and the Company are RM126.2 million (2018: RM77.1 million) and RM80.0 million (2018: RM46.0 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, asset-backed bonds and other term loans.

29. ASSETS CLASSIFIED AS HELD FOR SALE

(a) As mentioned in Note 43(f), 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 metre 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 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 subject to the following remaining conditions precedent:

a) The approvals of relevant authorities; and
b) The conditions stipulated in the SPA.

The Proposed Disposal is expected to be completed in the 3rd quarter of 2020.

(b) The Group's subsidiary, Boustead Plantations Berhad holds 197.4 hectares of land situated in Mukim Semenyih, District of Hulu Langat, Selangor which was classified as held for sale in the previous financial year. Given the development in the surrounding areas, the land was deemed to have good development potential and no longer suited for plantation operations. Consequently, all plantation activities for the area have ceased.

In the current financial year, the freehold land was reclassified to property, plant and equipment as the sale of the said freehold land is no longer highly probable.

(c) On 24 January 2018, Boustead Plantations Berhad (BPB) announced that CIMB Islamic Trustee Berhad (CITB), acting solely as trustee for BPB, entered into a sale and purchase agreement with Sunrich Conquest Sdn Bhd (SCSB) for the disposal of 82.84 hectares of freehold land situated in Mukim 12, Daerah Seberang Perai Utara, Pulau Pinang. The sale of the lands was completed on 18 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

29. ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D.)

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

Group – 2019	Note 29(a) RM Million	Note 29(b) RM Million	Note 29(c) RM Million	Total RM Million
Property, plant and equipment (Note 13):				
Land and building	**90.2**	**–**	**–**	**90.2**
Others	**2.7**	**–**	**–**	**2.7**
At 31 December 2019	**92.9**	**–**	**–**	**92.9**

Group – 2018	Note 29(a) RM Million	Note 29(b) RM Million	Note 29(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

30. SHARE CAPITAL

	2019		2018	
	Number of shares Million	RM Million	Number of shares Million	RM Million
Ordinary shares	**2,027.0**	**2,735.7**	2,027.0	2,735.7

31. RESERVES

	Non-distributable				
	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 2019	21.6	186.4	434.0	1,617.0	2,259.0
Adjustment arising from adoption of MFRS 16 (Note 2)	–	–	–	(6.2)	(6.2)
As 1 January 2019, adjusted	21.6	186.4	434.0	1,610.8	2,252.8
Currency translation difference in respect of foreign operations	–	–	0.3	–	0.3
Net loss on equity investment designated at fair value through other comprehensive income					
– Fair value changes	(0.1)	–	–	–	(0.1)
– Disposal	0.1	–	–	–	0.1
– Transfer upon disposal	0.7	–	–	(0.7)	–
Share of OCI investments accounted for using equity method	29.0	–	0.8	(0.7)	29.1
Other comprehensive income/(loss) for the year	29.7	–	1.1	(1.4)	29.4
Loss for the year	–	–	–	(1,278.8)	(1,278.8)
Total comprehensive income/(loss) for the year	29.7	–	1.1	(1,280.2)	(1,249.4)
Issue of shares during the year under share options granted by an associate	–	–	–	2.6	2.6
Share of an associate's obligation to buy its subsidiaries shares	–	–	–	(12.6)	(12.6)
Changes in ownership interest in subsidiaries					
– Share options granted by a subsidiary	–	–	–	0.3	0.3
Transfer during the year					
– Regulatory reserve of an associate	–	(42.8)	–	42.8	–
At 31 December 2019	51.3	143.6	435.1	363.7	993.7

NOTES TO THE FINANCIAL STATEMENTS

31. RESERVES (CONT'D.)

	← 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	(29.3)	8.5	(52.3)	–	29.5	(43.6)
At 1 January 2018, as previously stated	–	8.5	104.3	433.0	2,856.6	3,402.4
Prior year adjustments (Note 44)	–	–	–	–	(307.1)	(307.1)
At 1 January 2018, restated	–	8.5	104.3	433.0	2,549.5	3,095.3
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 as reported in the 2018 financial statements	–	–	–	–	(469.2)	(469.2)
Prior year adjustments (Note 44(iii))	–	–	–	–	(66.2)	(66.2)
Loss for the year, restated	–	–	–	–	(535.4)	(535.4)
Total comprehensive income/(loss) for the year, restated	–	13.1	–	1.0	(538.1)	(524.0)
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, restated	–	21.6	186.4	434.0	1,617.0	2,259.0

31. RESERVES (CONT'D.)

	Non-distributable			
	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 2018	2.2	–	47.9	50.1
Adjustment arising from adoption of MFRS 9	(2.2)	2.2	–	–
At 1 January 2018, as previously stated	–	2.2	47.9	50.1
Prior year adjustments (Note 44)	–	–	(15.7)	(15.7)
At 1 January 2018, restated	–	2.2	32.2	34.4
Loss for the year as reported in the 2018 financial statements	–	–	(186.9)	(186.9)
Prior year adjustments (Note 44(vi))	–	–	(0.5)	(0.5)
Loss for the year, restated	–	–	(187.4)	(187.4)
Other comprehensive loss for the year	–	(1.4)	–	(1.4)
Total comprehensive loss for the year	–	(1.4)	(187.4)	(188.8)
Dividends (Note 12)	–	–	(152.1)	(152.1)
At 31 December 2018, restated/1 January 2019	**–**	**0.8**	**(307.3)**	**(306.5)**
Loss for the year	**–**	**–**	**(290.7)**	**(290.7)**
Total comprehensive loss for the year	**–**	**–**	**(290.7)**	**(290.7)**
At 31 December 2019	**–**	**0.8**	**(598.0)**	**(597.2)**

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 regulatory reserve was maintained by an associate in compliance with the provision of the Financial Services Act, 2013.

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.

NOTES TO THE FINANCIAL STATEMENTS

32. 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, the total nominal value of Perpetual Sukuk is as follows:

Tranches	Redemption Dates	Profit rate %	2019 RM Million	2018 RM Million
T1	#		**340.0**	340.0
T2	23 December 2019	7.60	**–**	343.0
T3	#		**51.0**	51.0
T4	#		**150.0**	150.0
T5	05 August 2019	6.25	**–**	200.0
T6	25 November 2019	6.25	**–**	50.0
T7	*		**66.0**	66.0
			607.0	1,200.0

During the current financial year, the Company did not exercises its call option to redeem these tranches.
* First Optional Redemption Date is on 14 April 2020.

During the year, the Company exercised its call option to redeem tranches 2, 5 and 6 of the Perpetual Sukuk under Optional Redemption amounting to RM593 million.

The salient features of the Perpetual Sukuk are as follows:

(a) The Perpetual Sukuk is issued under the Islamic principle of Musharakah, while the principle of Commodity Musawamah will be employed to effect the deferral of the periodic distributions, if any.

(b) Being perpetual in tenure, the Company has a call option to redeem the Perpetual Sukuk at the end of 5th year and on each periodic distribution date thereafter.

(c) The Company also has the option to redeem the Perpetual Sukuk under the following circumstances:

  (i) Accounting event – change in accounting standards resulting Perpetual Sukuk no longer being recognised as an equity instrument;

  (ii) Change in control – change in the shareholding of the Company which resulted in LTAT, its major shareholder, to hold less than the agreed percentage of interest in the Company;

  (iii) Leverage event – the finance to equity ratio of the Company has exceeded the agreed amount;

  (iv) Privatisation event – the shares of the Company are no longer listed on Bursa Malaysia Securities Berhad; and

  (v) Tax event – if the Company is and will become obliged to pay additional amount due to changes in tax laws or regulations.

32. PERPETUAL SUKUK (CONT'D.)

The salient features of the Perpetual Sukuk are as follows: (cont'd.)

(d) The periodic distribution rate of the Perpetual Sukuk for the first five years since issuance ranges from 6.1% to 6.25% per annum and is payable six months from the issue date of the relevant tranche and every six months thereafter.

(e) If the Company does not exercise its option to redeem at the end of 5th year, the periodic distribution rate shall increase by 1.5% per annum for the 6th year. For the 7th year onwards, the periodic distribution rate will be further increased by 1% per annum for every year thereafter, subject to the maximum of 15% per annum.

(f) The Company can elect to defer the periodic distribution indefinitely provided that the Company have not within the last six months declared or paid any dividend or payment or other distributions in respect of or repurchase or redeem its ordinary shares, or any other securities of the Company ranking junior to the Perpetual Sukuk. The deferred periodic distribution, if any, will be cumulative but will not earn additional profits (i.e there will be no compounding of the periodic distribution being deferred).

(g) In the event the periodic distribution is deferred, no dividend or payment or other distributions shall be made in respect of or repurchase or redeem in respect of its ordinary shares, or any other securities of the Company ranking junior to the Perpetual Sukuk until the Company has paid any periodic distribution or deferred periodic/additional distribution in full.

(h) Payment obligations on the Perpetual Sukuk will, at all times, rank senior to other equity instruments for time being outstanding or obligations of the Company that are subordinated to the Junior Sukuk, but junior to the claims of present and future creditors of the Company (other than obligations ranking pari passu with the Perpetual Sukuk).

(i) The Perpetual Sukuk is unsecured and not rated.

NOTES TO THE FINANCIAL STATEMENTS

33. BORROWINGS

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Non-current				
Term loans				
– Denominated in Malaysian Ringgit	**1,085.1**	597.5	**240.0**	90.0
– Denominated in Great Britain Pound	**60.6**	61.5	**–**	–
– Denominated in Indonesian Rupiah	**–**	121.2	**–**	–
	1,145.7	780.2	**240.0**	90.0
Islamic medium term notes	**2,339.8**	1,492.5	**2,339.8**	1,492.5
Asset-backed bonds	**–**	209.6	**–**	–
Revolving credits	**420.0**	649.1	**–**	–
	3,905.5	3,131.4	**2,579.8**	1,582.5
Repayable in 1 year	**(382.6)**	(459.9)	**(240.0)**	(60.0)
	3,522.9	2,671.5	**2,339.8**	1,522.5
Current				
Overdrafts	**46.6**	59.3	**28.5**	33.6
Bankers' acceptances				
– Denominated in Malaysian Ringgit	**310.4**	476.1	**–**	–
– Denominated in Indonesian Rupiah	**160.8**	15.5	**–**	–
Revolving credits	**3,486.3**	3,850.6	**1,490.0**	1,550.0
Short term loans	**382.6**	459.9	**240.0**	60.0
	4,386.7	4,861.4	**1,758.5**	1,643.6
Total borrowings	**7,909.6**	7,532.9	**4,098.3**	3,166.1

33. BORROWINGS (CONT'D.)

The Islamic medium term notes (IMTN) comprise:

i) 2 tranches of RM500 million Sukuk Murabahah, which were issued in 2017, 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 in 2018, 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 in 2018, with maturity 7 years from the date of issue and carries profit rate of 6.2% per annum
iv) 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.
v) 1 tranche of RM650 million Sukuk Murabahah, which was issued during the financial year, with maturity 5 years from the date of issue and carries profit rate of 6.5% per annum.

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

	Group/Company	
	2019 RM Million	**2018 RM Million**
Nominal value	**2,350.0**	1,500.0
Unamortised transaction cost	**(10.2)**	(7.5)
Carrying amount	**2,339.8**	1,492.5

During the financial year, a subsidiary has fully-redeemed the asset-backed bonds (Bonds) of RM209.6 million which were secured by a debenture over the assets of the subsidiary, a special purpose vehicle created for the Bonds issuance.

A subsidiary has a term loan of RM42.8 million (2018: RM61.9 million) and revolving credits of RM674.4 million (2018: RM874.6 million) which are secured by way of an assignment on contract proceeds.

A subsidiary has a term loan of RM4.7 million (2018: RM5.8 million) which is secured against a hangar owned by the subsidiary with a net carrying amount of RM12.4 million (2018: RM12.9 million).

A subsidiary has a term loan of RM20.3 million (2018: RM25.9 million) which is secured against the subsidiary's hire purchase contracts.

A subsidiary has a term loan denominated in Great Britain Pound equivalent to RM60.6 million (2018: RM61.5 million) which is secured against a property owned by the subsidiary with a net carrying amount of RM107.6 million (2018: RM101.2 million).

All the other borrowings are unsecured. Other information on financial risks of the borrowings are disclosed in Note 38.

The amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM4,160.4 million (2018: RM4,233.4 million).

NOTES TO THE FINANCIAL STATEMENTS

33. BORROWINGS (CONT'D.)

Change in liabilities arising from financing activities

Group

	At 1 January 2019 RM Million	Net (repayment)/ drawdown RM Million	Conversion* RM Million	Others RM Million	At 31 December 2019 RM Million
Overdrafts	**59.3**	**(12.7)**	**–**	**–**	**46.6**
Revolving credits	**4,499.7**	**(629.6)**	**36.2**	**–**	**3,906.3**
Bankers' acceptances	**491.6**	**(20.4)**	**–**	**–**	**471.2**
Asset-backed bonds	**209.6**	**(210.0)**	**–**	**0.4**	**–**
Islamic medium term notes	**1,492.5**	**845.4**	**–**	**1.9**	**2,339.8**
Other term loans	**780.2**	**397.2**	**(36.2)**	**4.5**	**1,145.7**
	7,532.9	**369.9**	**–**	**6.8**	**7,909.6**

* The Group had refinanced part of its term loan to revolving credits during the financial year.

	At 1 January 2018 RM Million	Net drawdown/ (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	498.7	1.3	1,492.5
Other term loans	687.9	102.6	(10.3)	780.2
	6,183.9	1,357.3	(8.3)	7,532.9

Others comprise mainly exchange adjustment.

33. BORROWINGS (CONT'D.)

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

Company

	At 1 January 2019 RM Million	Net (repayment)/ drawdown RM Million	Others RM Million	At 31 December 2019 RM Million
Overdrafts	**33.6**	**(5.1)**	**–**	**28.5**
Revolving credits	**1,550.0**	**(60.0)**	**–**	**1,490.0**
Islamic medium term notes	**1,492.5**	**845.4**	**1.9**	**2,339.8**
Other term loans	**90.0**	**150.0**	**–**	**240.0**
	3,166.1	**930.3**	**1.9**	**4,098.3**

	At 1 January 2018 RM Million	Net drawdown 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	498.7	1.3	1,492.5
Other term loans	–	90.0	–	90.0
	2,239.7	925.1	1.3	3,166.1

Others comprise mainly exchange adjustment.

NOTES TO THE FINANCIAL STATEMENTS

34. PAYABLES

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Non-current				
Deposits from tenants	**24.6**	26.8	**–**	–
Current				
Trade payables	**1,893.0**	1,577.6	**–**	–
Accrued interest	**12.5**	15.1	**50.9**	27.1
Accrued expenses	**196.5**	301.5	**–**	–
Deposits received	**99.9**	111.4	**1.8**	1.9
Retention sum	**3.8**	4.3	**–**	–
Other payables	**293.9**	217.5	**6.3**	7.1
Derivative liabilities (Note 39)	**3.0**	1.8	**–**	–
Amount due to holding corporation	**1.5**	1.7	**–**	–
Amounts due to subsidiaries	**–**	–	**59.3**	5.6
Amounts due to associates	**6.8**	3.0	**–**	–
Amounts due to joint ventures	**382.0**	272.0	**–**	–
Amounts due to other related companies	**–**	0.1	**–**	–
	2,892.9	2,506.0	**118.3**	41.7

Trade payables

These amounts are non-interest bearing, with normal credit terms ranging from 30 to 90 days (2018: 30 to 90 days).

Amounts due to subsidiaries

These amounts are unsecured, bear interest at a weighted average rate of 4.6% (2018: 3.5%) 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.

35. 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. Rental income recognised by the Group during the year is RM97.3 million (2018: RM97.7 million), of which RM3.8 million (2018: RM4.6 million) relates to variable lease payments that do not depend on an index or rate.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Within 1 year	**95.6**	76.2	**5.9**	6.3
Later than 1 year but not later than 5 years	**97.6**	59.4	**6.4**	4.9
More than 5 years	**1.9**	4.5	**–**	–
	195.1	140.1	**12.3**	11.2

36. 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.

NOTES TO THE FINANCIAL STATEMENTS

36. SEGMENTAL INFORMATION (CONT'D.)

(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, life and general insurance business through an associate, education and other miscellaneous businesses.

(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 42(a) and 42(b).

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

36. 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
2019								
Revenue								
Group total sales	577.2	1,061.0	534.8	206.4	2,820.5	5,144.4	(22.6)	10,321.7
Inter-segment sales	–	–	(22.6)	–	–	–	22.6	–
External sales	577.2	1,061.0	512.2	206.4	2,820.5	5,144.4	–	10,321.7
Operating cost	(599.0)	(1,312.5)	(462.9)	(175.9)	(2,734.1)	(4,977.4)	–	(10,261.8)
Results from operations	(21.8)	(251.5)	49.3	30.5	86.4	167.0	–	59.9
Gain on disposal of plantation land	119.5	–	–	–	–	–	–	119.5
Impairment of property, plant and equipment	(160.6)	(80.4)	(47.1)	–	–	–	–	(288.1)
Impairment of right-of-use assets	(15.4)	–	–	(7.0)	–	–	–	(22.4)
Impairment of goodwill	–	(763.3)	–	–	–	–	–	(763.3)
Accelerated amortisation of rights to supply	–	–	–	–	(247.3)	–	–	(247.3)
Fair value (loss)/gain on investment properties	–	–	(6.7)	(3.9)	–	3.0	–	(7.6)
Other investment result	–	–	–	0.2	–	0.2	–	0.4
Share of results of associates	6.6	–	(2.7)	113.9	–	(0.8)	–	117.0
Share of results of joint ventures	–	9.2	(8.8)	46.6	–	–	–	47.0
(Loss)/profit before interest, taxation and zakat	(71.7)	(1,086.0)	(16.0)	180.3	(160.9)	169.4	–	(984.9)
Finance cost	(64.8)	(122.7)	(100.8)	(187.2)	(47.5)	(15.7)	139.0	(399.7)
Interest income	1.1	4.1	14.9	162.6	1.4	3.7	(139.0)	48.8
(Loss)/profit before taxation and zakat	(135.4)	(1,204.6)	(101.9)	155.7	(207.0)	157.4	–	(1,335.8)
Taxation								(47.9)
Zakat								(2.6)
Loss for the year								(1,386.3)
Other Information								
Depreciation and amortisation	(167.2)	(55.9)	(22.9)	(27.1)	(44.4)	(77.8)	–	(395.3)
Gain/(loss) on disposal of property, plant and equipment	1.0	7.6	–	(0.2)	0.1	0.7	–	9.2
Property, plant and equipment written off	(1.1)	–	–	–	(0.1)	(0.8)	–	(2.0)
Other non-cash (expenses)/income	(3.2)	(8.6)	2.2	2.8	(19.4)	(1.8)	–	(28.0)

NOTES TO THE FINANCIAL STATEMENTS

36. 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
Operating cost	(604.5)	(1,463.4)	(456.1)	(193.1)	(2,287.8)	(5,213.6)	–	(10,218.5)
Results from operations	(20.5)	(328.4)	78.0	11.4	97.2	130.2	–	(32.1)
Impairment of property, plant and equipment	–	(77.9)	–	–	–	–	–	(77.9)
Impairment of goodwill	–	(106.2)	–	–	–	–	–	(106.2)
Fair value (loss)/gain on investment properties	–	–	(63.5)	3.2	–	0.9	–	(59.4)
Other investment results	–	–	–	0.2	–	1.0	–	1.2
Share of results of associates	5.0	–	(0.2)	109.9	–	0.8	–	115.5
Share of results of joint ventures	–	(7.5)	(36.9)	(36.5)	–	–	–	(80.9)
(Loss)/profit before interest, taxation and zakat	(15.5)	(520.0)	(22.6)	88.2	97.2	132.9	–	(239.8)
Finance cost	(36.8)	(74.4)	(78.8)	(129.1)	(46.3)	(20.2)	114.1	(271.5)
Interest income	1.3	1.6	16.6	124.4	0.9	1.8	(114.1)	32.5
(Loss)/profit before taxation and zakat	(51.0)	(592.8)	(84.8)	83.5	51.8	114.5	–	(478.8)
Taxation								(74.4)
Zakat								(1.1)
Loss for the year								(554.3)
Other Information								
Depreciation and amortisation	(139.7)	(52.1)	(26.6)	(21.5)	(55.2)	(74.4)	–	(369.5)
(Loss)/gain on disposal of property, plant and equipment	(3.1)	11.8	–	(0.1)	–	3.9	–	12.5
Property, plant and equipment written off	(3.4)	–	–	–	(0.3)	–	–	(3.7)
Other non-cash income/(expenses)	10.0	(42.2)	(7.9)	(5.8)	(17.9)	8.8	–	(55.0)

37. 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 (the Plaintiff). The Plaintiff was claiming against BNS for unspecified general damages, special damages of RM50.0 million, interest at 10% per annum on the said amount of RM50.0 million calculated from 7 September 2011 until full settlement, interest at 8% per annum on the said amount of RM50.0 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 its 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 had allowed the application by BNS to strike out the Plaintiff s claim with costs of RM5,000.00 to be paid by the Plaintiff to BNS. BNS, as instructed by the High Court, had on 1 April 2013 withdrawn its counterclaim with liberty to file afresh with no order as to costs.

The Plaintiff had, on 22 March 2013, filed a Notice of Appeal to the Court of Appeal against the decision of the High Court. The Court of Appeal heard the appeal on 11 November 2013 and allowed the Plaintiffs appeal and ordered the matter to be tried at the High Court.

BNS filed an appeal to the Federal Court and on 22 August 2017 the Federal Court set aside both the decisions of the Court of Appeal and the High Court and ordered the matter to be reverted to the Ipoh High Court for full trial.

The trial at the High Court commenced on 16 and 17 April 2018 and is continuing. The trial was supposed to continue on 1 and 2 April 2020, however, it has been postponed until further notice pursuant to the extended Movement Control Order by the Government over COVID-19 concerns.

BNS, upon consultation with the solicitors, is of the view that it has a fair chance of success in this case.

NOTES TO THE FINANCIAL STATEMENTS

37. 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 for the striking out applications has been fixed on 17 July 2020.

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.

The solicitors are of the view that BHB and BWSB have a good chance of success in their application to strike out the Plaintiffs suit and in defending themselves against the claims in this civil suit.

37. CONTINGENT LIABILITIES (CONT'D.)

(c) On 28 December 2018, CIMB Islamic Bank Trustee Berhad (First Plaintiff) acting as trustee for Boustead Plantations Berhad and Boustead Plantations Berhad (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 amounting to RM37,207,353.35 for 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 chance of success in this civil suit.

(d) On 10 July 2017, the joint venture company, Boustead DCNS Naval Corporation Sdn Bhd (BDNC) received a letter from the Ministry of Defence Malaysia (MINDEF) claiming for Liquidated Damages (LD) amounting to RM53.2 million and EUR19.3 million for the ISS for the Royal Malaysian Navy SCORPENE Submarine Contract.

On 28 June 2019, BDNC received a letter from MINDEF claiming for LD amounting to RM22.4 million and EUR8.8 million for the refit works on KD TUNKU ABDUL RAHMAN.

On 29 May 2020, BDNC received a letter from MINDEF claiming for LD amounting to RM11.6 million and EUR6.5 million for the breach of obligations under the first supplemental contract of the In-Service Support for two (2) units of Prime Minister-Class for the Royal Malaysian Navy Submarines Contract (Extended ISS Contract).

The Group is of the opinion that the provisions for the LD are sufficient and no further losses expected to be incurred after taking into consideration appropriate justifications and supporting documents.

To date, the Group is still in the midst of negotiating and finalising the LD claims.

The Group has recognised its shares of losses of interest in BDNC when applying the equity method up to its interest in the joint venture since the previous financial year.

(e) During the year, Boustead Hyde Park Limited (BHPL), a wholly-owned subsidiary of the Group was engaged in a dispute with Westminster City Council (Council) in connection with its ownership of a property, The Royale Chulan Hyde Park Hotel (Hotel) in London. The Council has issued enforcement notices against BHPL in respect of the alleged infringement of general and listed building planning laws and regulations. These enforcement notices all concern alterations to the Hotel premises that were effected prior to BHPL's acquisition of ownership. The enforcement notices are being appealed and it is believed that the appeals will succeed in whole or part but cannot be guaranteed.

The management considers that there is a potential material liability which cannot currently be ascertained.

NOTES TO THE FINANCIAL STATEMENTS

37. CONTINGENT LIABILITIES (CONT'D.)

(f) The amount of bank guarantees issued by the Group to third parties are as follows:

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Performance bonds in respect of contracts awarded to subsidiaries				
– Government of Malaysia	**691.5**	672.0	**0.7**	0.7
– other third parties	**69.1**	61.4	**–**	–
	760.6	733.4	**0.7**	0.7

38. 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.

38. 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 2019							
Fixed rate							
Financial assets:							
Deposits	28	**3.0**	**554.6**	**–**	**–**	**–**	**554.6**
Financial liabilities:							
Islamic medium term notes	33	**6.1**	**–**	**(299.6)**	**(1,840.6)**	**(199.6)**	**(2,339.8)**
Floating rate							
Financial assets:							
Amounts due from joint ventures	25	**6.0**	**1.3**	**–**	**202.6**	**–**	**203.9**
Financial liabilities:							
Terms loans	33	**5.0**	**(382.6)**	**(151.4)**	**(409.7)**	**(202.0)**	**(1,145.7)**
Overdrafts	33	**7.8**	**(46.6)**	**–**	**–**	**–**	**(46.6)**
Revolving credits	33	**5.2**	**(3,486.3)**	**(259.1)**	**(160.9)**	**–**	**(3,906.3)**
Bankers' acceptances	33	**6.1**	**(471.2)**	**–**	**–**	**–**	**(471.2)**
At 31 December 2018							
Fixed rate							
Financial assets:							
Deposits	28	3.3	449.3	–	–	–	449.3
Financial liabilities:							
Islamic medium term notes	33	5.9	–	(299.4)	(993.6)	(199.5)	(1,492.5)
Asset-backed bonds	33	6.0	(209.6)	–	–	–	(209.6)
Floating rate							
Financial assets:							
Amounts due from joint ventures	25	6.0	30.3	–	335.2	–	365.5
Financial liabilities:							
Terms loans	33	5.9	(250.3)	(107.2)	(279.2)	(143.5)	(780.2)
Overdrafts	33	8.0	(59.3)	–	–	–	(59.3)
Revolving credits	33	5.1	(3,850.6)	(249.1)	(400.0)	–	(4,499.7)
Bankers' acceptances	33	4.4	(491.6)	–	–	–	(491.6)

NOTES TO THE FINANCIAL STATEMENTS

38. 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 2019					
Fixed rate					
Financial assets:					
Deposits	28	**2.9**	**427.2**	**–**	**427.2**
Financial liabilities:					
Islamic medium term notes	33	**6.1**	**–**	**(2,339.8)**	**(2,339.8)**
Floating rate					
Financial assets:					
Amounts due from subsidiaries	25	**5.8**	**224.2**	**2,173.4**	**2,397.6**
Amounts due from joint ventures	25	**6.0**	**1.1**	**–**	**1.1**
Financial liabilities:					
Overdrafts	33	**8.0**	**(28.5)**	**–**	**(28.5)**
Revolving credits	33	**5.1**	**(1,490.0)**	**–**	**(1,490.0)**
Term loans	33	**4.5**	**(240.0)**	**–**	**(240.0)**
Amounts due to subsidiaries	34	**4.6**	**(59.3)**	**–**	**(59.3)**
At 31 December 2018					
Fixed rate					
Financial assets:					
Deposits	28	3.4	197.6	–	197.6
Financial liabilities:					
Islamic medium term notes	33	5.9	–	(1,492.5)	(1,492.5)
Floating rate					
Financial assets:					
Amounts due from subsidiaries	25	5.8	139.1	2,079.9	2,219.0
Amounts due from joint ventures	25	6.0	1.2	177.8	179.0
Financial liabilities:					
Overdrafts	33	8.2	(33.6)	–	(33.6)
Revolving credits	33	4.9	(1,550.0)	–	(1,550.0)
Term loans	33	5.5	(60.0)	(30.0)	(90.0)
Amounts due to subsidiaries	34	3.5	(5.6)	–	(5.6)

38. 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 (2018: 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 RM21.2 million (2018: RM22.2 million) and RM6.7 million (2018: 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					
2019					
Borrowings	33	**4,783.0**	**3,776.9**	**412.8**	**8,972.7**
Trade and other payables	34	**2,889.9**	**24.6**	**–**	**2,914.5**
Derivatives liabilities	34	**3.0**	**–**	**–**	**3.0**
Lease liabilities	15	**12.1**	**17.2**	**22.2**	**51.5**
Total undiscounted financial liabilities		**7,688.0**	**3,818.7**	**435.0**	**11,941.7**
2018					
Borrowings	33	5,198.7	2,854.7	348.7	8,402.1
Trade and other payables	34	2,504.2	26.8	–	2,531.0
Derivatives liabilities	34	1.8	–	–	1.8
Dividend payables		30.4	–	–	30.4
Total undiscounted financial liabilities		7,735.1	2,881.5	348.7	10,965.3

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Liquidity risk (cont'd.)

	Note	On demand or within 1 year RM Million	1 to 5 years RM Million	Total RM Million
Company				
2019				
Borrowings	33	**1,992.1**	**2,845.2**	**4,837.3**
Trade and other payables	34	**118.3**	**–**	**118.3**
Lease liabilities	15	**2.9**	**11.1**	**14.0**
Total undiscounted financial liabilities		**2,113.3**	**2,856.3**	**4,969.6**
2018				
Borrowings	33	1,814.6	1,901.5	3,716.1
Trade and other payables	34	41.7	–	41.7
Dividend payables		30.4	–	30.4
Total undiscounted financial liabilities		1,886.7	1,901.5	3,788.2

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 2019, the Group has a significant concentration of credit risk in the form of outstanding balance due from the Government of Malaysia, representing approximately 13.3% (2018: 32.1%) 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 25. 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 25.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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, Great Britain Pound and Indonesian Rupiah. Foreign exchange exposures are kept to an acceptable level.

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 2019					
US Dollar	**103.7**	**16.5**	**(157.0)**	**–**	**(36.8)**
Euro	**4.0**	**0.5**	**(416.5)**	**–**	**(412.0)**
Great Britain Pound	**8.7**	**1.5**	**(26.4)**	**(60.6)**	**(76.8)**
Indonesian Rupiah	**–**	**–**	**–**	**(160.8)**	**(160.8)**
Others	**5.3**	**0.3**	**(31.2)**	**–**	**(25.6)**
	121.7	**18.8**	**(631.1)**	**(221.4)**	**(712.0)**
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)
Indonesian Rupiah	–	–	–	(136.7)	(136.7)
Others	1.2	0.2	(45.1)	–	(43.7)
	55.1	47.4	(393.3)	(239.6)	(530.4)

NOTES TO THE FINANCIAL STATEMENTS

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Foreign currency risk (cont'd.)

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in US Dollar, Euro, Great Britain Pound and Indonesian Rupiah against the functional currency of the Group with all other variables held constant.

	Group	
	2019 RM Million	**2018 RM Million**
(Decrease)/increase of Group's profit, net of tax		
US Dollar/RM		
– Strengthened by 10%	**(2.8)**	(5.1)
– Weakened by 10%	**2.8**	5.1
Euro/RM		
– Strengthened by 5%	**(15.7)**	(8.3)
– Weakened by 5%	**15.7**	8.3
Great Britain Pound/RM		
– Strengthened by 5%	**(2.9)**	(2.5)
– Weakened by 5%	**2.9**	2.5
Indonesian Rupiah/RM		
– Strengthened by 5%	**(6.1)**	(5.2)
– Weakened by 5%	**6.1**	5.2

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Financial instruments by category

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Financial assets – measured at amortised cost				
Receivables	**1,071.3**	1,780.6	**2,403.9**	2,453.3
Deposit, cash and bank balances	**941.4**	753.3	**432.2**	199.8
Financial liabilities – measured at amortised cost				
Payables	**2,914.5**	2,531.0	**118.3**	41.7
Dividend payables	**–**	30.4	**–**	30.4
Borrowings	**7,909.6**	7,532.9	**4,098.3**	3,166.1
Lease liabilities	**41.3**	–	**12.2**	–

39. 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)	25
Contract assets	27
Amount due from holding corporation	25
Amounts due from subsidiaries	25
Amounts due from associates	25
Amounts due from joint ventures	25
Amounts due from other related companies	25
Borrowings (current)	33
Trade and other payables (current)	34
Other payables (non-current)	34
Contract liabilities	27
Amount due to holding corporation	34
Amounts due to subsidiaries	34
Amounts due to associates	34
Amounts due to joint ventures	34
Amounts due to other related companies	34

NOTES TO THE FINANCIAL STATEMENTS

39. FAIR VALUE MEASUREMENTS (CONT'D.)

Determination of fair value (cont'd.)

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.

39. 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				
2019				
Assets				
Investments	**10.2**	**–**	**–**	**10.2**
Investment properties	**–**	**–**	**1,568.1**	**1,568.1**
Biological assets	**–**	**–**	**22.2**	**22.2**
Liabilities				
Forward currency contracts	**–**	**(3.0)**	**–**	**(3.0)**
	10.2	**(3.0)**	**1,590.3**	**1,597.5**
2018				
Assets				
Investments	18.7	–	–	18.7
Investment properties	–	–	1,503.4	1,503.4
Biological assets	–	–	15.7	15.7
Liabilities				
Forward currency contracts	–	(1.8)	–	(1.8)
	18.7	(1.8)	1,519.1	1,536.0
Company				
2019				
Assets				
Investments	**4.7**	**–**	**–**	**4.7**
Investment properties	**–**	**–**	**104.5**	**104.5**
	4.7	**–**	**104.5**	**109.2**
2018				
Assets				
Investments	4.7	–	–	4.7
Investment properties	–	–	107.5	107.5
	4.7	–	107.5	112.2

The Group and the Company do not have any financial liabilities measured at Level 3 hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

39. FAIR VALUE MEASUREMENTS (CONT'D.)

Investment Properties

Investment properties are measured at fair value using valuation reports prepared by independent professional valuers based on income and 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.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

		Range	
Valuation technique	**Significant unobservable inputs**	**2019**	**2018**
Income method	**Shopping complexes and office buildings:**		
	Estimated monthly reversionary rental per square feet	**RM1 – RM40**	RM1 – RM40
	Discount rate	**6% – 7%**	6% – 7%
	Void rate	**5% – 10%**	5% – 10%
	Yield	**6% – 7%**	6% – 7%
Comparison method	**Vacant lands and office buildings:**		
	Differences in location, time factor, type of land, size and tenure	**(24%) – 45%**	(24%) – 45%

Significant increases (decreases) in estimated monthly reversionary rental in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the discount rate, void rate and yield in isolation would result in a significantly lower (higher) fair value.

Derivatives

	2019		2018	
	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 34)				
Forward currency contracts	**211.5**	**3.0**	220.2	1.8

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, the Group recognised a loss of RM6.3 million (2018: gain of RM6.4 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.

39. FAIR VALUE MEASUREMENTS (CONT'D.)

Borrowings

	2019		2018	
	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 33)				
Term loans	**763.1**	**763.1**	529.9	529.9
Islamic medium term notes	**2,339.8**	**2,426.0**	1,492.5	1,492.4
Revolving credits	**420.0**	**420.0**	649.1	649.1
	3,522.9	**3,609.1**	2,671.5	2,671.4
Company				
Non-current borrowings (Note 33)				
Term loans	**–**	**–**	30.0	30.0
Islamic medium term notes	**2,339.8**	**2,426.0**	1,492.5	1,492.4
	2,339.8	**2,426.0**	1,522.5	1,522.4

40. 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 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 33) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 33) over total equity comprising shareholders' equity, perpetual sukuk and non-controlling interests is 1.39 times (2018: 0.97 times). The Group's policy is to keep gearing within manageable levels.

NOTES TO THE FINANCIAL STATEMENTS

41. COMMITMENTS

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Authorised and contracted				
Capital expenditure	**126.6**	109.1	**–**	–
Acquisition of plantation land	**34.6**	357.3	**–**	–
Share of joint venture's capital commitment in relation to investment properties	**–**	25.0	**–**	–
	161.2	491.4	**–**	–
Authorised but not contracted				
Capital expenditure	**384.6**	514.0	**2.8**	3.5

42. 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 former Directors have a substantial interest, namely Arkitek MAA and Azzat & Izzat, being firms in which the Company's former Directors Dato' Sri Ghazali Mohd Ali and Datuk Azzat Kamaludin, both resigned on 31 July 2019, respectively have a substantial interest.

42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2019 RM Million	2018 RM Million	2019 RM Million	2018 RM Million
Subsidiaries				
Rental income	**–**	–	**0.1**	0.1
Management fees	**–**	–	**9.2**	8.5
Associates and joint ventures				
Agricultural research and advisory services paid	**15.3**	16.3	**–**	–
Insurance premium paid	**16.1**	16.3	**–**	–
Rental income on office premises	**25.9**	23.3	**–**	–
Sales of goods	**3.7**	8.7	**–**	–
Purchase of services	**0.2**	–	**–**	–
Professional fees paid	**2.1**	1.1	**0.7**	1.1
Insurance commission received	**4.0**	3.6	**–**	–
Rendering of services	**42.9**	24.9	**–**	–
Provision of project management services	**0.5**	0.5	**–**	–
Rental expense				
– Hotel	**12.1**	12.0	**–**	–
– Office premises	**0.8**	0.9	**–**	–
Holding corporation				
Rental expenses	**0.9**	0.9	**–**	–
Provision of project management services	**0.4**	0.3	**–**	–
Subsidiaries of holding corporation				
Sales of goods	**58.0**	57.7	**–**	–
Provision of construction works	**40.6**	224.5	**–**	–
Firms in which former Directors have a substantial interest				
Legal and professional fees paid	**6.3**	8.7	**–**	–
Government-related financial institutions				
Interest income	**22.5**	10.1	**12.1**	2.1
Finance cost	**197.6**	196.1	**93.7**	68.0

The Directors are of the opinion that the above transactions are in the normal course of business and at terms mutually agreed between parties.

NOTES TO THE FINANCIAL STATEMENTS

42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
	2019 RM Million	**2018 RM Million**	**2019 RM Million**	**2018 RM Million**
Directors				
Fees	**1.0**	1.8	**0.8**	0.8
Salaries and other emoluments	**2.1**	5.1	**1.2**	3.4
Defined contribution plans	**0.4**	1.2	**0.2**	0.9
Meeting, travelling and other allowances	**0.2**	0.3	**0.2**	0.2
Estimated monetary value of benefits-in-kind	**0.2**	0.2	**0.1**	0.1
	3.9	8.6	**2.5**	5.4
Other key management personnel				
Short term employee benefits	**41.0**	45.5	**4.1**	5.5
Defined contribution plans	**4.6**	5.4	**0.7**	1.1
	45.6	50.9	**4.8**	6.6
Total paid to key management personnel	**49.5**	59.5	**7.3**	12.0

The Group is a Government-related entity by virtue of its relationship with Lembaga Tabung Angkatan Tentera (LTAT), the holding corporation of the Company.

The significant transactions with the Government of Malaysia are as follows:

(a) On 20 June 2019, a subsidiary accepted a letter dated 14 June 2019 from the Ministry of Defence Malaysia for the Refit works on KD TERENGGANU at a contract value of RM96.0 million. The aggregate revenue recognised under the contract for the year ended 31 December 2019 amounted to RM1.1 million.

On 10 April 2018, the 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 2019 amounted to RM15.1 million (2018: 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 and trials and delivery of first four units of Littoral Mission Ships (LMS) valued at RM1.17 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 2019 amounted to RM394.3 million (2018: RM118.6 million).

42. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

The significant transactions with the Government of Malaysia are as follows: (cont'd.)

(a) On 19 March 2015, a 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 2019 amounted to RM0.3 million (2018: RM0.3 million).

On 7 September 2013, a 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 2019 amounted to RM Nil (2018: RM0.2 million).

On 16 December 2011, a 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 RM9.0 billion. The finalisation of this contract was on 17 July 2014. The aggregate revenue recognised under the letter of award for the year ended 31 December 2019 amounted to RM495.1 million (2018: RM871.7 million).

(b) On 16 March 2011, a subsidiary has entered into a Concession Agreement with the Government of Malaysia represented by the Ministry of Health, Malaysia (MOH) for a period of ten (10) years expiring on 30 November 2019, for the right and authority to purchase, store, supply and distribute the Approved Products (i.e. drugs and non-drugs approved by MOH) to the Public Sector Customers (i.e. government hospital, health office, health clinic, dental clinic, or any health institution or other similar facility within Malaysia which is operated and controlled by the MOH and as determined by the MOH from time to time) and also for the development of Pharmacy Information System and Clinic Pharmacy Systems in government hospitals and clinics.

In the month of November 2019, the subsidiary received a letter from MOH extending its services for the provision of medicine and medical supplies to MOH facilities for an interim period of twenty-five (25) months, commencing from 1 December 2019 to 31 December 2021 to allow MOH to make necessary preparations to undertake the service. If MOH is able to take over the role in less than 25 months, an open tender for procurement of medicines will be initiated earlier. In addition, the subsidiary also secured a contract to continue providing logistics and distribution services for MOH for a period of five (5) years ending 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS

43. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) During the year, the Company had issued two tranches of IMTN under the RM2.0 billion Sukuk Programme as follows:

(i) RM200 million on 30 January 2019, with maturity of 7 years at a profit rate of 6.2%.

(ii) RM650 million on 24 July 2019, with maturity of 5 years at a profit rate of 6.5%.

All issuances are part of the combined RM2.5 billion IMTN Programme with tenure of 10 years of which RM1.5 billion was issued in the prior years. The IMTN programmes are unrated and are implemented under Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under The Lodge and Launch Framework. The proceeds 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, Boustead Plantations Berhad (BPB) announced that CIMB Islamic Trustee Berhad (CITB), acting solely as trustee for BPB, entered into SPAs with the following parties:

(i) Sunrich Conquest Sdn Bhd for the sale of 82.84 hectares of freehold land in the District of Seberang Perai Utara, Pulau Pinang for cash consideration of RM81,143,000; and

(ii) Titanium Greenview Sdn Bhd 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 cash consideration of RM54,901,000.

The sales were completed on 18 April 2019 and a gain of RM119.5 million was recognised.

(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 several parties 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 4,915.25 hectares together with a 75 tonnes per hour palm oil mill and buildings erected thereon as well as movable assets, machineries and vehicles for a cash consideration of RM397,000,000.

On 25 March 2019, BRNSB entered into:

(i) a supplemental agreement (SA) with the Vendors to revise the purchase consideration to RM358.66 million after the sub-division of land titles and the exclusion of the purchase of 499.3 hectares of oil palm plantation lands together with movable assets (Lubah property) as well as road reserve land measuring 1,172.8 square meters. The exclusion of Lubah property was due to non-fulfilment of the removal of equity restriction. The land area under the SA was 4,414.69 hectares.

The purchase of lands was completed on 29 April 2019.

(ii) a SPA with Lubah Plantations (S) Sdn Bhd for the acquisition of Lubah property for a cash consideration of RM38.21 million. BRNSB has paid a 10% deposit.

The acquisition of Lubah property is expected to be completed by 2nd quarter of 2020.

43. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(d) On 19 December 2016, the Group's wholly owned subsidiary Boustead Construction Sdn Bhd (BCSB) entered into a sale and purchase agreement with Lembaga Tabung Angkatan Tentera (LTAT), to purchase lands measuring 10.74 acres out of 53.39 acres held under PN 31560, Lot No. 37825, Mukim Petaling, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (collectively known as the Bukit Jalil Lands) for a total cash consideration of RM172,780,035.

BCSB and LTAT had on 11 July 2019, mutually agreed to terminate the acquisition whereby LTAT has refunded the deposit paid by BCSB under the sale and purchase agreement.

(e) 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.

(f) 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, for a cash consideration of RM197 million (Disposal Consideration) (Proposed Disposal).

The Proposed Disposal is subject to the following remaining conditions precedent:
(i) The approvals of relevant authorities; and
(ii) The 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 3rd quarter of 2020.

(g) Pharmaniaga Logistics Sdn Bhd (PLSB), a subsidiary, has received a letter from the Ministry of Health (MOH) in the month of November 2019, extending its services for the provision of medicines and medical supplies to MOH facilities for an interim period of twenty-five (25) months, commencing 1 December 2019 to 31 December 2021. In addition, PLSB has secured a contract to continue providing logistics and distribution services for MOH for a period of five (5) years ending 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS

43. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(h) The COVID-19 pandemic has severely impacted many local economies around the globe. For the Group, the measures taken by the Government of Malaysia to contain the spread of the virus, including Movement Control Order (MCO), travel bans, quarantines, social distancing, and closures of non-essential services have affected the business performance and operations of the Group as follows:

Properties Division

Due to temporary closure of all hotels operated by the Division, the Division foresees a significant decline in revenue from hotel operations for future periods due to a fall in room occupancy. The activities in retail malls under the Division have been limited only for operation by essential services tenants and any move to waive rent will further reduce the revenue. The property development activities have also been delayed during the period of MCO.

Trading & Industrial Division

During the MCO period, the sales volume at the Division's petrol station network has declined due to the travel bans across the country. In addition, fall in global fuel prices due to low demand led to stockholding losses. The sales of building materials have also been affected by the temporary closure of construction projects. Nevertheless, due to minimal trading activities, the Division will be able to minimise incurring operating costs.

Plantation Division

In March 2020, as part of COVID-19 containment efforts, the Sabah State Government decided to shutdown palm oil operations in six districts in Sabah from 25 March 2020 to 14 April 2020. It is expected that the COVID-19 pandemic and movement control measures put in place will result in decline in palm oil consumption and have a negative impact on economic growth. From the Division's preliminary assessment, palm oil prices will decrease slightly from current level over the coming months due to the decline in palm oil demand and global consumption.

Finance & Investments Division

Due to a significant worsening of the macro-economic outlook as a result of COVID-19 outbreak, The Group is expecting a lower contribution from its investment in an associate. In line with Bank Negara Malaysia's measures to assist individuals and SMEs, the associate has offered a deferment of all loan/financing repayments for a period of 6 months with effect from 1 April 2020. Based on preliminary assessment by the associate, provision for expected credit losses is likely to increase due to an expected increase in default in loans and financing assets.

Decline in tourism activities have also disrupted the Division's operations. Travel services have been adversely impacted by the travel restriction and fear of health threat around the globe. On 8 March 2020, the Government has issued a directive to all local port operators to stop receiving any cruise vessels. The Division's cruise terminal operation will not be receiving any cruise vessels in compliance with the directive.

43. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(h) The COVID-19 pandemic has severely impacted many local economies around the globe. For the Group, the measures taken by the Government of Malaysia to contain the spread of the virus, including Movement Control Order (MCO), travel bans, quarantines, social distancing, and closures of non-essential services have affected the business performance and operations of the Group as follows: (cont'd.)

Heavy Industries Division

The Division's non-defence related shipbuilding and repair activities fall under non-essential services whilst the Division's defence-related shipbuilding and repair activities are currently running at lower capacity. The supply chain disruptions and closure/suspension of shipbuilding facilities may result in delays or variation in production milestone. As such, the timing and collectability of the Division's receivables may be affected. Nonetheless, the Division will ensure corrective actions will be taken such as exercising force majeure and rescheduling the delivery dates with the approval from the customers.

Pharmaceutical Division

The supply of pharmaceutical products resumes as usual during the MCO period. The Division's logistic chain has also adapted to the new normal involving the evolving standard operating procedures related to various restrictions imposed by the Government. The Division remains committed in providing quality products and services in the orchestrated efforts by the healthcare sector to contain the disease.

Impact of COVID-19 to financial statements of the Group

The occurrence of the COVID-19 outbreak is not an adjusting post balance sheet event, hence the Group's financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect the impact. Should the virus pandemic continue for an extended period of time, possible financial impacts in the next reporting period may include impairment concerns mainly on properties, plant and equipment, goodwill and provision for expected credit losses and decrease in value of investment properties. As some of the Group's businesses that do not meet the criteria of essential services, are being forced to cease or limit operations for long or indefinite periods of time, it is challenging to reliably predict the full extent and duration of the impact on the financial position and results of the Group for future periods.

Response measures by the Group

As the Group is going through an unprecedented challenging period, the focus of response measures will be improving the performance of the Group's operations, mitigating the impact of COVID-19 and cash management:

a) Temporary cost-reduction exercises
b) Cost-avoidance initiatives
c) Deferment and suspension of non-essential spending and capital expenditure
d) Reduction of critical expenditure
e) Recovery plan by each of business unit
f) Leveraging digital platform for marketing, advertising and promotion activities
g) Initiate split office operations to ensure business continuity

The Group will continue to monitor and assess the ongoing development and respond accordingly.

NOTES TO THE FINANCIAL STATEMENTS

44. COMPARATIVES

The Group, the Company and a joint venture, collectively (the Entities) measure their investment properties using the fair value model. In the prior financial years, the Entities had measured the fair value of commercial buildings classified as investment properties using the market approach (comparison approach).

During the year, the Entities had applied the use of multiple valuation techniques in valuing the office buildings, taking into consideration the fair value derived from the income approach and market approach, in determining the fair value of office buildings, after due consultation with independent professional valuers engaged by the Entities. Multiple valuation techniques were applied, as inputs used in one valuation technique may be more readily observable in the marketplace or require fewer adjustments than the other. The consideration of the fair value derived from more than one valuation technique will also be useful as it can highlight specific characteristics of the properties being measured and may aid in the assessment of value indications from different valuation techniques.

In relation to shopping complexes, the Entities had applied the income approach after due consultation with independent professional valuers engaged by the Entities. The valuation based on the income approach is less subjective and more representative of the fair value compared to the market approach.

Changes in valuation techniques in measuring the fair value of the commercial buildings and the related deferred tax effects have been retrospectively accounted for as follows:

(i) Reconciliation of statement of financial position as at 1 January 2018 (Group)

(All figures are stated in RM million)	Note	As previously stated at 1 January 2018	Adjustments	Restated at 1 January 2018
ASSETS				
Investment properties	14	1,804.8	(310.0)	1,494.8
Joint ventures	21	552.4	(12.6)	539.8
EQUITY AND LIABILITIES				
Reserves	31	3,402.4	(307.1)	3,095.3
Deferred tax liabilities	18	387.2	(15.5)	371.7

(ii) Reconciliation of statement of financial position as at 31 December 2018 (Group)

(All figures are stated in RM million)	Note	As previously stated at 31 December 2018	Adjustments	Restated at 31 December 2018
ASSETS				
Investment properties	14	1,905.4	(402.0)	1,503.4
Joint ventures	21	531.8	(11.5)	520.3
EQUITY AND LIABILITIES				
Reserves	31	2,632.3	(373.3)	2,259.0
Deferred tax liabilities	18	431.2	(40.2)	391.0

44. COMPARATIVES (CONT'D.)

(iii) Reconciliation of total comprehensive income for the year ended 31 December 2018 (Group)

(All figures are stated in RM million)	Note	As previously stated at 31 December 2018	Adjustments	Restated at 31 December 2018
Fair value gain/(loss) on investment properties	14	32.6	(92.0)	(59.4)
Share of results of joint ventures	21	(82.0)	1.1	(80.9)
Taxation	10	(99.1)	24.7	(74.4)

(iv) Reconciliation of statement of financial position as at 1 January 2018 (Company)

(All figures are stated in RM million)	Note	As previously stated at 1 January 2018	Adjustments	Restated at 1 January 2018
ASSETS				
Investment properties	14	121.1	(16.5)	104.6
EQUITY AND LIABILITIES				
Reserves	31	50.1	(15.7)	34.4
Deferred tax liabilities	18	2.7	(0.8)	1.9

(v) Reconciliation of statement of financial position as at 31 December 2018 (Company)

(All figures are stated in RM million)	Note	As previously stated at 31 December 2018	Adjustments	Restated at 31 December 2018
ASSETS				
Investment properties	14	125.5	(18.0)	107.5
EQUITY AND LIABILITIES				
Reserves	31	(290.3)	(16.2)	(306.5)
Deferred tax liabilities	18	5.4	(1.8)	3.6

(vi) Reconciliation of total comprehensive income for the year ended 31 December 2018 (Company)

(All figures are stated in RM million)	Note	As previously stated at 31 December 2018	Adjustments	Restated at 31 December 2018
Fair value gain/(loss) on investment properties	14	4.2	(1.5)	2.7
Taxation	10	(9.6)	1.0	(8.6)

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2019	Group interest % 2018
As at 31 December 2019				
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	RM151,878,885	**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	RM315,794,667	**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	RM19,474,816	**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	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	Insurance agent	RM3,000,000	**100**	100
Boustead Travel Services Sdn Bhd	Travel agent	RM5,500,000	**100**	100

			Group interest	
			%	%
Name of company*	**Principal activities**	**Paid-up capital**	**2019**	**2018**
As at 31 December 2019				
SUBSIDIARIES (cont'd.)				
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
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM154,960,000	**66**	66

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2019	Group interest % 2018
As at 31 December 2019				
SUBSIDIARIES (cont'd.)				
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	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**	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	RM10,015,000	**56**	56
Pharmaniaga Logistics Sdn Bhd**	Distribution of pharmaceutical and medical products	RM40,000,000	**56**	56
Pharmaniaga Marketing Sdn Bhd**	Trading and marketing of pharmaceutical and medical products	RM3,000,000	**56**	56

Name of company*	Principal activities	Paid-up capital	Group interest % 2019	Group interest % 2018
As at 31 December 2019				
SUBSIDIARIES (cont'd.)				
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
Pharma Pristine Sdn Bhd** *(formerly known as Pharmaniaga Pristine Sdn Bhd)*	Trading and wholesaling of consumer products	RM20,000,000	**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

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2019	Group interest % 2018
As at 31 December 2019				
SUBSIDIARIES (cont'd.)				
Perstim Industries Sdn Bhd	Investment holding	RM51,155,724	**65**	65
BHIC Marine Carriers Sdn Bhd	Provision of engineering services for oil and gas industry	RM3,000,000	**65**	65
Dominion Defence & Industries Sdn Bhd	Supply and services of marine and defence related products	RM1,000,000	**65**	65
BHIC Defence Techservices Sdn Bhd	Provision of maintenance and services for defence related products	RM1,000,000	**65**	65
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

Name of company*	Principal activities	Paid-up capital	Group interest % 2019	% 2018
As at 31 December 2019				
SUBSIDIARIES (cont'd.)				
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
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
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 Idaman Sdn Bhd	Ceased operation	RM13,000,000	**100**	100
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 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

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2019	Group interest % 2018
As at 31 December 2019				
SUBSIDIARIES (cont'd.)				
Bounty Crop Sdn Bhd	Ceased operation	RM70,200,000	**57**	57
PT Mega Pharmaniaga**+	Ceased operation	Rp11,372,400,000	**53**	53
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

Name of company*	Principal activities	Paid-up capital	Group interest % 2019	Group interest % 2018
As at 31 December 2019				
JOINT VENTURES				
Irat Properties Sdn Bhd	Property investment	RM447,200,000	**50**	50
Boustead Ikano Sdn Bhd	Property investment holding and operating of a shopping mall	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**	20

* Incorporated and operating in Malaysia unless otherwise indicated
** Subsidiaries not audited by Ernst & Young PLT
\+ 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 24 April 2019, 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 2019 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	Dato' Seri Mohamed Khaled Nordin# Puan Nik Amlizan Mohamed Gen. Tan Sri Dato' Seri Panglima Mohd Ghazali Hj. Che Mat (R)* Dato' Sri Ghazali Mohd Ali* LTAT	Office rental at Menara Boustead paid to Boustead Properties Berhad	1.4
		General management fees, internal audit fees and tax consultancy fees paid to Boustead Holdings Berhad	2.6
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	0.6
Boustead Naval Shipyard Sdn Bhd	Dato' Seri Mohamed Khaled Nordin# Puan Nik Amlizan Mohamed Dato' Sri Ghazali Mohd Ali* Datuk Azzat Kamaludin* LTAT	Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	2.2
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	0.9
Boustead Petroleum Marketing Sdn Bhd	Dato' Seri Mohamed Khaled Nordin# Puan Nik Amlizan Mohamed Dato' Sri Ghazali Mohd Ali* LTAT	Sale of non-regulated petroleum products to Boustead Holdings Berhad Group	6.6
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	1.0

Appointed on 1 May 2020

* Resigned on 31 July 2019

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Pharmaniaga Berhad	Dato' Seri Mohamed Khaled Nordin#	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	1.0
	Puan Nik Amlizan Mohamed Dato' Sri Ghazali Mohd Ali* LTAT	Provision of corporate and administrative support services and training by Boustead Holdings Berhad	0.9
Affin Bank Berhad Group	Dato' Seri Mohamed Khaled Nordin#	Office rental at Menara Boustead, Menara Affin and the Curve paid to Boustead Realty Sdn Bhd, Boustead Curve Sdn Bhd and Boustead Properties Berhad	18.0
	Puan Nik Amlizan Mohamed Dato' Sri Ghazali Mohd Ali* LTAT	Provision of professional service to Boustead Holdings Berhad, Boustead Naval Shipyard Sdn Bhd and Boustead Properties Berhad	0.8
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	3.1
Irat Hotels and Resorts Sdn Bhd	Dato' Seri Mohamed Khaled Nordin#	Rental of hotel building paid by Boustead Hotels and Resorts Sdn Bhd	12.1
	Puan Nik Amlizan Mohamed Dato' Sri Ghazali Mohd Ali* LTAT	Office rental at Chulan Tower paid by The University of Nottingham in Malaysia Sdn Bhd	0.8
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	2.8
Azzat & Izzat	Datuk Azzat Kamaludin*	Provision of legal services to Boustead Holdings Berhad Group	0.1

Appointed on 1 May 2020

* Resigned on 31 July 2019

RECURRENT RELATED PARTY TRANSACTIONS

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
LTAT	Dato' Seri Mohamed Khaled Nordin#	Office rental at Surian Tower paid by Boustead Petroleum Marketing Sdn Bhd	0.9
	Puan Nik Amlizan Mohamed	Provision of property management service by Boustead Properties Berhad	0.3
	Dato' Sri Ghazali Mohd Ali*		
	LTAT	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	–
Perbadanan Perwira Harta Malaysia	Dato' Seri Mohamed Khaled Nordin#	Provision of renovation works by Boustead Building Materials Sdn Bhd	8.8
	Puan Nik Amlizan Mohamed	Construction of low cost housing project by UAC Berhad	31.8
	Dato' Sri Ghazali Mohd Ali*		
	LTAT		
Perbadanan Perwira Niaga Malaysia	Dato' Seri Mohamed Khaled Nordin#	Sale of non-regulated products by Boustead Petroleum Marketing Sdn Bhd	0.7
	Puan Nik Amlizan Mohamed		
	Dato' Sri Ghazali Mohd Ali*		
	LTAT		
Perbadanan Hal Ehwan Bekas Angkatan Tentera	Dato' Seri Mohamed Khaled Nordin#	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	–
	Puan Nik Amlizan Mohamed		
	Dato' Sri Ghazali Mohd Ali*		
	LTAT		

Appointed on 1 May 2020

* Resigned on 31 July 2019

TOP 30 PROPERTIES OF THE GROUP

	Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation*
1	The Curve, Jalan PJU 7/3, and building Mutiara Damansara, Selangor	5.0	Commercial land	Freehold	15	579.0	*2019
2	Sg Segamaha and Bukit Segamaha Estates Lahad Datu	5,659.6	Oil palm estate and palm oil mill	1979 – 2077	23	318.7	*2016
3	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	20	300.5	*2019
4	Balau Estate, Semenyih, Selangor	247.4	Oil palm estate & molecular laboratory	Freehold	12	280.0	*2016
5	PT 216/PT220, Mukim of Kapar, District of Klang, and Lot 1158, Mukim of Bukit Raja, District of Petaling, Selangor	81	Development land	Freehold		271.8	2014
6	Telok Sengat Estate, Kota Tinggi, Johor	3,690.1	Oil palm estate & palm oil mill	Freehold	33	266.4	*2016
7	University of Nottingham in Malaysia, Semenyih Selangor	48.1	University campus	Freehold/ Leasehold	14	249.5	*2016
8	Segaria Estate, Semporna Sabah	4,746.2	Oil palm estate & palm oil mill	1965 – 2072	39	245.7	*2016
9	Nucleus Tower, Mutiara Damansara, Selangor	0.85	Office complex	Freehold		240.0	2019
10	Boustead Pertama and Boustead Sapa Payau Estates, Labuk & Sugut	3,944.1	Oil palm estate	1980 – 2079 1981 – 2080 1982 – 2081		222.2	2018
11	Boustead Sungai Lokan and Boustead Lokan Baru Estates, Labuk & Sugut	4,439.0	Oil palm estate	1980 – 2079 1981 – 2080 1982 – 2081 1988 – 2087		206.4	2018

TOP 30 PROPERTIES OF THE GROUP

	Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation*
12	Royale Chulan Damansara, No 2, Jalan PJU 7/3, Mutiara Damansara, Selangor	0.88	Hotel	Freehold	8	204.0	2012
13	Menara Boustead, 69, Jalan Raja Chulan, Kuala Lumpur	0.43	Office complex	Freehold	34	178.5	*2019
14	Boustead Ruku Ruku Estate, Labuk & Sugut	3,196.2	Oil palm estate	1980 – 2079 1981 – 2080 1982 – 2081		171.5	2018
15	Boustead Tawai 2 Estate, Labuk & Sugut	3,232.8	Oil palm estate	1934 – 2033 1935 – 2034 1979 – 2078 1982 – 2081 1992 – 2091		171.5	2019
16	Sutera Estate, Sandakan, Sabah	2,200.7	Oil palm estate	1888 – 2887		155.2	*2016
17	PT484, Seksyen 90, Bandar Kuala Lumpur	2.67	Development land	Freehold		148.1	2018
18	Menara Affin, 80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office complex	Freehold	21	147.5	*2019
19	PT481, Seksyen 90, Bandar Kuala Lumpur	1.2	Commercial land	Freehold		146.8	*2019
20	Bukit Mertajam Estate, Kulim, Kedah	2,164.8	Oil palm estate	Freehold		141.6	*2016
21	G&G Estate, Lahad Datu, Sabah	2,409.8	Oil palm estate	1978 – 2077		140.4	*2016
22	Boustead Tawai 1 Estate, Labuk & Sugut	1,793.6	Oil palm estate & palm oil mill	1978 – 2077 1979 – 2078 1980 – 2079 1981 – 2080	19	118.3	2019
23	Bebar Estate, Muadzam Shah, Pahang	2,340.6	Oil palm estate	1984 – 2083		115.9	*2016
24	Sungai Jernih Estate, Pekan, Pahang	2,695.7	Oil palm estate & palm oil mill	1981 – 2091	28	115.3	*2016

	Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation*
25	Ladang Tabung Tentera Sabah (LTT-Sabah), Lahad Datu	2,023.0	Oil palm estate	1979 – 2077		112.2	*2016
26	Royale Chulan Hyde Park 23-26 Leinster Square London	0.1	Hotel	Freehold	>100	107.6	*2019
27	Lot 70, Mutiara Damansara, Mukim Sungai Buluh, Selangor	4.0	Development land	Freehold		105.9	1999
28	Sungai Sungai 1, Sungai Sungai 2 and Sungai Sungai 3 Estates, Sugut	6,035.1	Oil palm estate & palm oil mill	1997 – 2098	14	105.8	2012, 2014, 2016
29	Menara UAC, 12 Jalan PJU 7/5, Mutiara Damansara, Selangor	1.4	Commercial land and building	Freehold	12	105.0	*2019
30	Mutiara Hills, Semenyih, Selangor	85.1	Development land	Freehold		102.1	

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 May 2020 is as tabulated below:

Purpose	Proposed Utilisation RM Million	Revised Utilisation RM Million	Actual Utilisation RM Million	Time Frame	Unutilised Amount RM Million	Deviation %	Explanation
Repayment of bank borrowings	486.0	638.0	634.0	Within 55 months until 31 December 2020	4.0	1%	To be utilised
Property development activities	507.0	355.0	355.0	Within 55 months until 31 December 2020	–		Fully utilised
Working capital	60.5	60.5	60.5		–		Fully utilised
Rights Issue expenses	1.3	1.3	1.3		–		Fully utilised
	1,054.8	1,054.8	1,050.8		4.0		

The Company had on 28 February 2020 made the announcement to vary the utilisation of proceeds from rights issue.

(b) The status of utilisation of proceeds from the Company's issuance of Islamic Medium Term Notes (IMTN) as at 15 May 2020 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	1,962.4	1,905.4	57.0	3
Funding of reserve account and expenses of IMTN programme	44.4	44.4	–	–
Funding of working capital	343.2	343.2	–	–
Total gross proceeds	2,350.0	2,293.0	57.0	

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 2019				
– Auditor of the Company	4,061.3	475.0	927.2	124.2
– Others	1,016.4	–	50.0	–
	5,077.7	475.0	977.2	124.2

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 a sale and purchase agreement with Lembaga Tabung Angkatan Tentera (LTAT), to purchase lands measuring 10.74 acres out of 53.39 acres held under PN 31560, Lot No. 37825, Mukim Petaling, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (collectively known as the Bukit Jalil Lands) for a total cash consideration of RM172,780,035. BCSB and LTAT had on 11 July 2019, mutually agreed to terminate the acquisition whereby LTAT has refunded the deposit paid by BCSB under the sale and purchase agreement.

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 2019 or entered into since the end of the previous financial year.

GROUP OIL PALM AGRICULTURAL STATISTICS

	2019	2018	2017	2016	2015
Planted area in hectares (ha)					
Past prime	**32,505**	26,438	14,569	12,234	13,138
Prime	**27,167**	29,750	32,363	33,199	33,533
Young	**13,183**	12,480	12,179	11,964	12,387
Total mature	**72,855**	68,668	59,111	57,397	59,058
Immature	**6,551**	6,364	5,876	7,071	6,622
Total planted	**79,406**	75,032	64,987	64,468	65,680
FFB crop metric tonnes (MT)	**979,972**	966,134	973,513	908,576	1,037,163
FFB yield (MT/ha)	**13.9**	14.9	16.7	15.6	17.6
Oil yield (MT/ha)	**3.0**	3.2	3.5	3.4	3.9
Mill production (MT)					
FFB processed	**1,070,639**	1,000,367	1,080,390	1,011,778	1,119,737
Crude palm oil	**231,298**	211,847	226,843	217,561	245,120
Palm kernel	**47,113**	43,601	46,896	44,035	51,444
Extraction rate (%)					
Crude palm oil	**21.6**	21.2	21.0	21.5	21.9
Palm kernel	**4.4**	4.4	4.3	4.4	4.6
Average selling price (RM/MT)					
FFB	**391**	426	610	598	458
Crude palm oil	**2,134**	2,261	2,810	2,584	2,148
Palm kernel	**1,244**	1,780	2,505	2,460	1,533

PLANTATION AREA STATEMENT

AREA STATEMENT

	2019		2018	
	Ha	%	Ha	%
Oil palms	**79,406**	**80.9**	75,032	80.4
Building sites, roads, unplantable areas, etc	**18,806**	**19.1**	18,293	19.6
Total	**98,212**	**100.0**	93,325	100.0

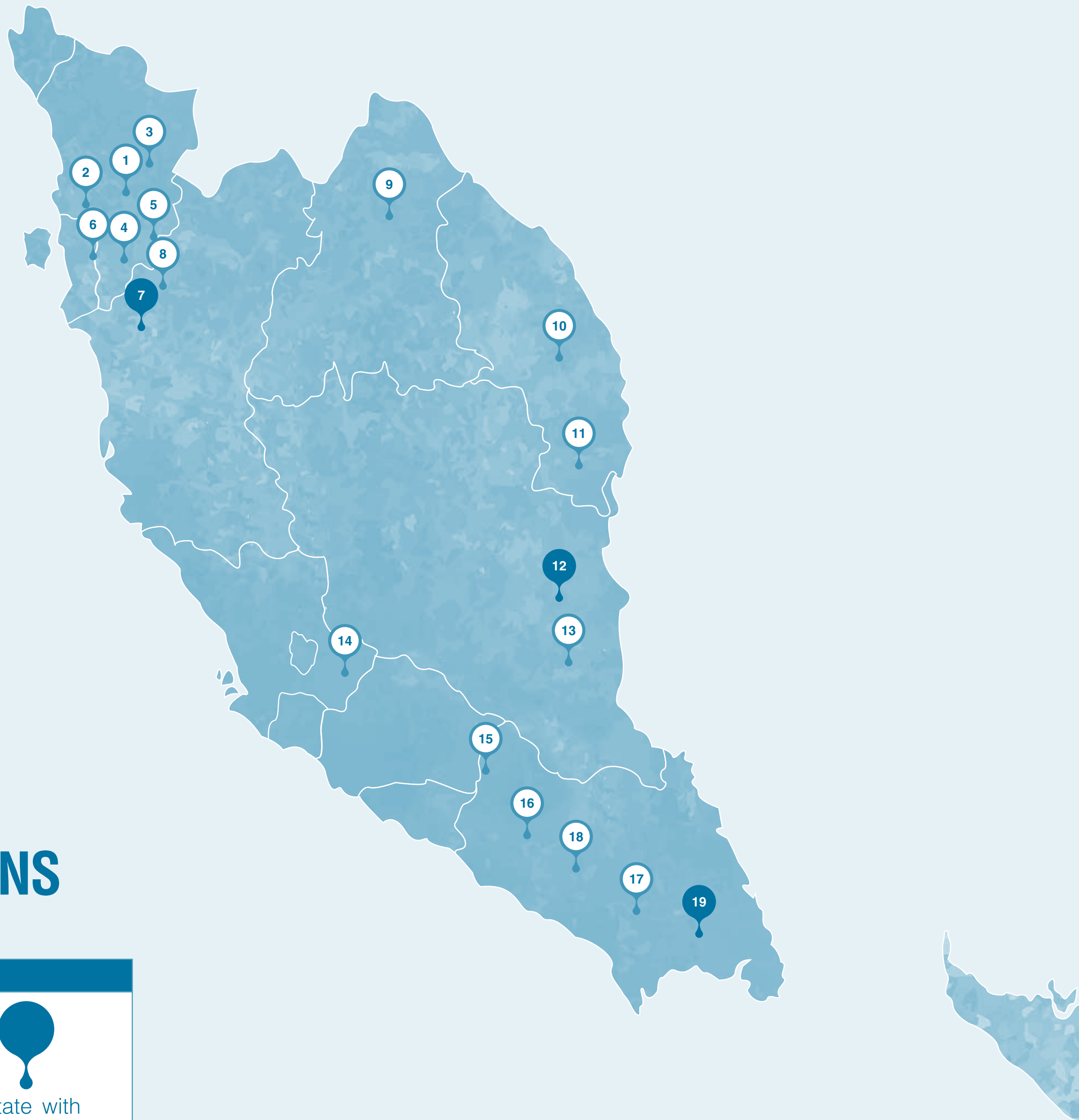
AGE PROFILE OF PALMS

2019

		Mature			
Region	Immature < 3 years	Young 4 – 9 years	Prime 10 – 20 years	Past prime > 20 years	Total planted
Peninsular Malaysia	**2,866**	**6,209**	**9,706**	**5,238**	**24,019**
Sabah	**3,685**	**6,622**	**14,419**	**17,079**	**41,805**
Sarawak	**–**	**352**	**3,042**	**10,188**	**13,582**
Total hectares	**6,551**	**13,183**	**27,167**	**32,505**	**79,406**

2018

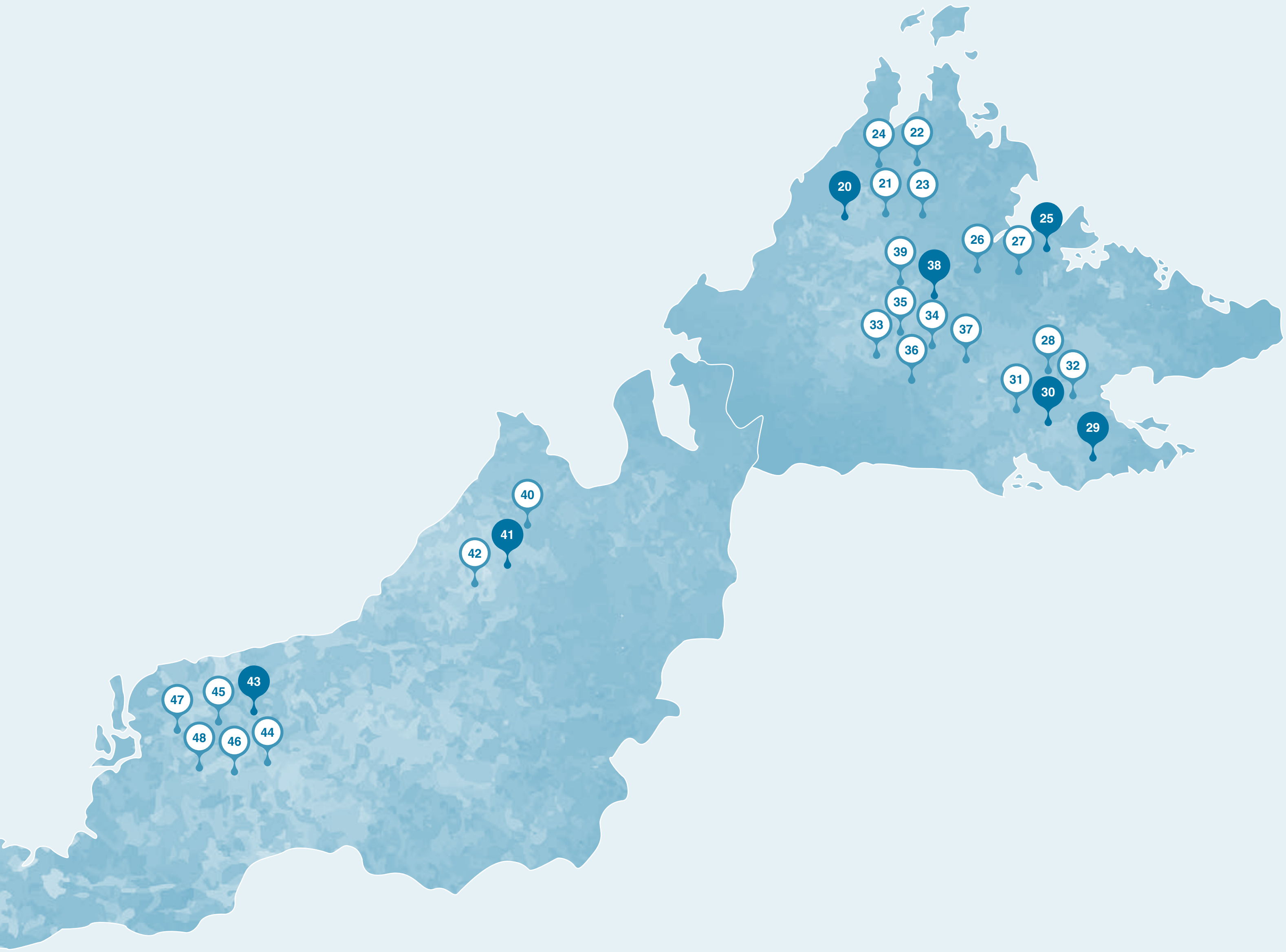
		Mature			
Region	Immature < 3 years	Young 4 – 9 years	Prime 10 – 20 years	Past prime > 20 years	Total planted
Peninsular Malaysia	2,984	6,331	9,642	5,177	24,134
Sabah	3,380	5,796	15,233	12,906	37,315
Sarawak	–	353	4,875	8,355	13,583
Total hectares	6,364	12,480	29,750	26,438	75,032



LOCATION OF GROUP PLANTATIONS

Legend	
Estate	Estate with Palm Oil Mill

PENINSULAR MALAYSIA			
1. Batu Pekaka	6. Malakoff	10. Solandra	15. Bekoh
2. Kuala Muda	7. Taiping Rubber Plantation	11. LTT-Terengganu	16. Eldred
3. Stothard	8. Malaya	12. Sungai Jernih	17. Kulai Young
4. Kedah Oil Palms	9. Lepan Kabu	13. Bebar	18. Chamek
5. Bukit Mertajam		14. Balau	19. Telok Sengat



SABAH & SARAWAK			
20. Sungai Sungai 1	28. LTT-Sabah	36. Boustead Sungai Lokan	43. Jih
21. Sungai Sungai 2	29. Segaria	37. Boustead Lokan Baru	44. Maong
22. Sungai Sungai 3	30. Sungai Segamaha	38. Boustead Tawai 1	45. Pedai
23. Kawananan	31. Bukit Segamaha	39. Boustead Tawai 2	46. Kelimut
24. Lembah Paitan	32. G&G	40. Sungai Lelak	47. Bawan
25. Nak	33. Boustead Pertama	41. Loagan Bunut	48. Mapai
26. Resort	34. Boustead Ruku Ruku	42. Bukit Limau	
27. Sutera	35. Boustead Sapa Payau		

SHAREHOLDING STATISTICS
as at 29 May 2020

Size of shareholdings	No. of holders	%	No. of shares	%
LESS THAN 100	940	6.42	22,844	0.00
100 TO 1,000	1,598	10.91	784,887	0.04
1,001 TO 10,000	7,339	50.10	34,523,705	1.70
10,001 TO 100,000	4,082	27.86	126,902,398	6.26
100,001 TO LESS THAN 5% OF ISSUED SHARES	688	4.70	474,097,553	23.39
5% AND ABOVE OF ISSUED SHARES	2	0.01	1,390,656,610	68.61
TOTAL	**14,649**	**100.00**	**2,026,987,997**	**100.00**

30 LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	1,204,477,218	59.42
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	186,179,392	9.19
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	30,620,748	1.51
4	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PBCL-OG0052)	27,245,000	1.34
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	22,720,438	1.12
6	CHINCHOO INVESTMENT SDN. BERHAD	19,743,000	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	YONG SIEW YOON	12,239,731	0.60
10	CARTABAN NOMINEES (TEMPATAN) SDN BHD ICAPITAL.BIZ BERHAD	12,147,786	0.60
11	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TA KIN YAN	10,791,100	0.53
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PB-OJ0045)	7,100,930	0.35
13	GEMAS BAHRU ESTATES SDN. BHD.	6,917,780	0.34
14	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MMO197)	6,538,075	0.32
15	BIDOR TAHAN ESTATES SDN. BHD.	6,435,268	0.32
16	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	6,312,091	0.31

No.	Name of shareholders	No. of shares	%
17	OOI CHIENG SIM	6,285,000	0.31
18	MIKDAVID SDN BHD	5,914,162	0.29
19	TAN LEE HWA	5,830,000	0.29
20	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	5,076,800	0.25
21	RENGO MALAY ESTATE SENDIRIAN BERHAD	4,847,981	0.24
22	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	4,800,731	0.24
23	CHINCHOO HOLDINGS (S) PRIVATE LIMITED	3,987,286	0.20
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JULIAN SURESH CANDIAH	3,503,900	0.17
25	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	3,218,400	0.16
26	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	2,813,357	0.14
27	YEOH SAIK KHOO SENDIRIAN BERHAD	2,514,980	0.12
28	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK SENG FOOK	2,393,378	0.12
29	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	2,354,800	0.12
30	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	2,343,074	0.12
	TOTAL	**1,651,349,184**	**81.46**

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct interest		Indirect interest	
	No. of holders	%	No. of shares	%
Lembaga Tabung Angkatan Tentera	1,204,477,218	59.42	–	–
Kumpulan Wang Persaraan (Diperbadankan)	186,179,392	9.19	–	–

Class of shares Ordinary share
Voting rights 1 vote per ordinary share

STATEMENT OF DIRECTORS' INTERESTS
in the company and related corporations as at 29 May 2020

None of the Directors holding office at 29 May 2020 had any shares in the Company and/or its related corporations.

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-Eighth Annual General Meeting (AGM) of Boustead Holdings Berhad will be conducted entirely through live streaming from the broadcast venue at Mutiara 5, Ground Floor, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Wednesday, 22 July 2020 at 9.30 a.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 2019 together with the Reports of the Directors and Auditors.
(Please refer to Explanatory Note 1)

2. To re-elect Datuk Zainun Aishah Ahmad who retires by rotation in accordance with Article 117 of the Company's Constitution, and being eligible, offers herself for re-election. **Resolution 1**

3. To re-elect the following Directors who retire in accordance with Article 123 of the Company's Constitution:
   i) Dato' Seri Mohamed Khaled Nordin **Resolution 2**
   ii) Dato' Sri Amrin Awaluddin **Resolution 3**
   iii) Abraham Verghese a/l TV Abraham **Resolution 4**
   iv) Lieutenant General Dato' Fadzil Mokhtar (R) **Resolution 5**
   v) Dato' Nonee Ashirin Dato' Mohd Radzi **Resolution 6**
   vi) Loong Caesar **Resolution 7**
   vii) Izaddeen Daud **Resolution 8**

4. To approve payment of Directors' fees, allowances and other benefits for Boustead Holdings Berhad and its subsidiaries from 23 July 2020 until the conclusion of the next AGM of the Company. **Resolution 9**

5. To re-appoint Messrs. Ernst & Young PLT as auditors of the Company and to hold office until the conclusion of the next AGM, at a remuneration to be determined by the Directors. **Resolution 10**

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 11**

   "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 AGM of the Company."

7. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS
Resolution 12

"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 24 April 2019, 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 24 June 2020, 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 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. To transact any other business of the Company of which due notice shall have been received.

By Order of the Board

AFFENDI MOHD YOB (LS0010305)
JUNIZA AZIZAN (LS0009647)
Secretaries

Kuala Lumpur
24 June 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory 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 to 8 – Proposed Re-election of Directors in accordance with Article 117 and Article 123 of the Company's Constitution**
Article 117 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.

Director who is standing for re-election pursuant to Article 117 of the Company's Constitution is as follows:

i) Datuk Zainun Aishah Ahmad

The Nominating and Remuneration Committee (NRC) of the Company has assessed the criteria and contribution of Datuk Zainun Aishah Ahmad and recommended for her re-election. The Board endorsed the NRC's recommendation that Datuk Zainun Aishah Ahmad be re-elected as Director of the Company.

Article 123 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.

Directors who are standing for re-election pursuant to Article 123 of the Company's Constitution are as follows:

i) Dato' Seri Mohamed Khaled Nordin
ii) Dato' Sri Amrin Awaluddin
iii) Abraham Verghese a/l TV Abraham
iv) Lieutenant General Dato' Fadzil Mokhtar (R)
v) Dato' Nonee Ashirin Dato' Mohd Radzi
vi) Loong Caesar
vii) Izaddeen Daud

The profiles of the Directors who are standing for re-election are set out on page 15 to 23 of the Annual Report, while details of their interests in securities are set out on page 284 of the Annual Report.

3. **Ordinary Resolution 9 – 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 23 July 2020 until the conclusion of the next AGM 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)
Board of Directors	Chairman Non-Executive Director	156,000 120,000	1,500 1,000	72,000 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)
Dato' Seri Mohamed Khaled Nordin	**Boustead Properties Berhad**		
	• Chairman	Directors' Fee (annual) Meeting allowance – per meeting	35,000 1,000
	Boustead Hotels & Resorts Sdn Bhd		
	• Chairman	Directors' Fee (annual) Meeting allowance – per meeting	35,000 1,000
	UAC Berhad		
	• Chairman	Directors' Fee (annual) Meeting allowance – per meeting	35,000 1,000

Subsidiaries of Boustead Holdings Berhad (cont'd.)

Name	Position Held	Fee Type	Amount (RM)
Datuk Zainun Aishah Ahmad	**Kao (Malaysia) Sdn Bhd**		
	• Chairman	Directors' Fee (annual)	24,000
Dato' Sri Amrin Awaluddin	**MHS Aviation Berhad**		
	• Director	Meeting allowance – per meeting	750
Abraham Verghese a/l TV Abraham	**Boustead Properties Berhad**		
	• Director	Directors' Fee (annual) Meeting allowance – per meeting	20,000 500
	Boustead Hotels & Resorts Sdn Bhd		
	• Director	Directors' Fee (annual) Meeting allowance – per meeting	20,000 500
Dato' Nonee Ashirin Dato' Mohd Radzi	**MHS Aviation Berhad**		
	• Director	Directors' Fee (annual) Meeting allowance – per meeting	40,000 750
Loong Caesar	**UAC Berhad**		
	• Director	Directors' Fee (annual) Meeting allowance – per meeting	20,000 500
	Boustead Naval Shipyard Sdn Bhd		
	• Director	Directors' Fee (annual) Meeting allowance – per meeting	60,000 1,000

4. Ordinary Resolution 10 – 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-Eighth Annual General Meeting.

5. Explanatory Notes to Special Business

a) Ordinary Resolution 11 – Authority for Directors to Allot and Issue Shares

Ordinary Resolution 11, 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-Seventh Annual General Meeting held on 24 April 2019, the mandate of which will lapse at the conclusion of the Fifty-Eighth Annual General Meeting to be held on 22 July 2020.

b) Ordinary Resolution 12 – Recurrent Related Party Transactions

Ordinary Resolution 12, 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 24 June 2020.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 (COVID-19), the AGM will be conducted on **a virtual basis through live streaming whilst the online remote voting** will be via Remote Participation and Voting (RPV). Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.

   Shareholders are to participate (including posing questions to the Board via real time submission of typed texts) and vote remotely at the AGM via the RPV provided by Tricor via its TIIH Online website at https://tiih.online.

2. The venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No Shareholders/proxy(ies) from the public will be physically present at the meeting venue on the day of the meeting.

3. For the purpose of determining who shall be entitled to participate in the AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the Record of Depositors as at 15 July 2020. Only members registered in the Record of Depositors shall be entitled to participate in the AGM via RPV.

4. A member of the Company entitled to participate in the AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

5. A member of the Company entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

7. Where a member of the Company is an exempt authorised nominee 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

8. A member who has appointed a proxy or attorney or authorised representative to participate, speak and vote at the AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.

9. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:

   (i) In hard copy form

   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than Monday, 20 July 2020 at 9.30 a.m.

   (ii) By electronic form

   The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online (applicable to individual shareholders only). Kindly refer to the Administrative Notes on the procedures for electronic lodgement of proxy form via TIIH Online.

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. For a corporate member who has appointed a representative, please deposit the original certificate of appointment with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:

   (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
   (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:

   (a) at least two (2) authorised officers, of whom one shall be a director; or
   (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the AGM of the Company shall be put to vote by way of a poll.

ADMINISTRATIVE NOTES

for the Fifty-Eighth Annual General Meeting of Boustead Holdings Berhad

Date : Wednesday, 22 July 2020

Time : 9.30 a.m.

**Venue : Mutiara 5, Ground Floor,
Royale Chulan Damansara,
2 Jalan PJU 7/3,
Mutiara Damansara,
47810 Petaling Jaya, Selangor**

MODE OF MEETING

In view of the COVID-19 pandemic outbreak and as part of the safety measures, the Fifty-Eighth Annual General Meeting of Boustead Holdings Berhad (58th AGM) will be conducted **on a virtual basis through live streaming whilst the online remote voting** will be via Remote Participation and Voting (RPV). Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's (Tricor) TIIH Online website at https://tiih.online. This is in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020.

The venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxy(ies) from the public will be physically present at the meeting venue.

Remote Participation and Voting

Shareholders are to participate (including posing questions to the Board via real time submission of typed texts) and vote remotely at the AGM using RPV provided by Tricor via its TIIH Online website at https://tiih.online.

Shareholders who appoint proxies to participate via RPV in the AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than Monday, 20 July 2020 at 9.30 a.m.

Corporate representatives of corporate members must deposit their original certificate of appointment of corporate representative to Tricor not later than Monday, 20 July 2020 at 9.30 a.m. to participate via RPV in the AGM. Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor not later than Monday, 20 July 2020 at 9.30 a.m to participate via RPV in the AGM.

A shareholder who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online.

As the AGM is a virtual Meeting, members who are unable to participate in the Meeting may appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.

ADMINISTRATIVE NOTES

for the Fifty-Eighth Annual General Meeting of Boustead Holdings Berhad

Procedures to Remote Participation and Voting via RPV Facilities

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the AGM using the RPV facilities:

	Procedure	Action
BEFORE THE AGM DAY		
(a)	Register as a user with TIIH Online	• Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services". Refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
(b)	Submit your request to attend AGM remotely	• Registration is open from 9.30 a.m. Wednesday, 24 June 2020 up to 9.30 a.m. Monday, 20 July 2020. • Login with your user ID and password and select the corporate event: (Registration) Boustead Holdings Berhad 58th AGM. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the Record of Depositors as at 15 July 2020, the system will send you an e-mail to approve or reject your registration for remote participation.
ON THE DAY OF THE AGM		
(a)	Login to TIIH Online	• Login with your user ID and password for remote participation at the 58th AGM at any time from 9.10 a.m. i.e. 20 minutes before the commencement of meeting at 9.30 a.m. on Wednesday, 22 July 2020.
(b)	Participate through Live Streaming	• Select the corporate event: (Live Streaming Meeting) Boustead Holdings Berhad 58th AGM to engage in the proceedings of the AGM remotely. • If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
(c)	Online Remote Voting	• Voting session commences from 9.30 a.m., Wednesday, 22 July 2020 until a time when the Chairman announces the completion of the voting session at the 58th AGM. • Select the corporate event: (Remote Voting) Boustead Holdings Berhad 58th AGM. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
(d)	End of remote participation	• Upon the announcement by the Chairman on the conclusion of the AGM, the Live Streaming will end.

Note to users of the RPV facilities:

1. We will make available to you the rights to join the live streamed meeting and to vote remotely once your application to join the meeting is approved. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.

2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.

3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-4080 5616/011-4080 3168/011-4080 3169/011-4080 3170 or e-mail to tiih.online@my.tricorglobal.com for assistance.

ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor's **TIIH Online** website are summarised below:

	Procedure	Action
(a)	Register as a User with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
(b)	Proceed with submission of Proxy Form	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: "Submission of Proxy Form". • Read and agree to the Terms & Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. • Review and confirm your proxy(s) appointment. • Print proxy form for your record.

Pre-Meeting Submission of Questions to the Board of Directors

- In order to enhance the efficiency of the proceedings of the AGM, shareholders may in advance, before the AGM, submit questions to the Board of Directors via Tricor's TIIH Online website at https://tiih.online, by selecting "e-Services" to login, post your questions and submit it electronically no later than Wednesday, 15 July 2020. The Board of Directors will endeavour to address the questions received at the AGM.

No Breakfast/Lunch Pack, Door Gift or Food Voucher

- There will be no distribution of breakfast/lunch packs, door gifts or food vouchers during the AGM since the meeting is being conducted on a virtual basis.

ADMINISTRATIVE NOTES

Annual Report

- The Annual Report is available on the Company's website at www.boustead.com.my and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.
- You may request for a printed copy of the Annual Report at https://tiih.online by selecting "Request for Annual Report" under the "Investor Services".
- In light of the Government's announcements on 16 March 2020, 25 March 2020, 10 April 2020, 23 April 2020 and 10 May 2020 in relation to the MCO effective 18 March 2020 to 9 June 2020 (and any extension thereof), please be informed that there may be some delay in the delivery of the printed copy of the Annual Report. The Annual Report will be delivered as soon as reasonably practicable.
- Nevertheless, it is hoped that you would consider the environment before you decide to request for the printed copy of the Annual Report. The environmental concerns like global warming, deforestation, climate change and many more affects every human, animal and nation on this planet.

Boustead Holdings Berhad would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

Enquiry

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 8.30 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn Bhd

General Line	: +603-2783 9299
Fax Number	: +603-2783 9222
Email	: is.enquiry@my.tricorglobal.com
Contact persons	: Mohd Kamal Bin Mohd Din +603-2783 9237 (email: Kamal.Mohd@my.tricorglobal.com) Esther Loo Mun Har +603-2783 9293 (email: Esther.Loo@my.tricorglobal.com)

PROXY FORM

Boustead Holdings Berhad 196001000193 (3871-H)
(A member of LTAT Group)

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-Eighth Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Mutiara 5, Ground Floor, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Wednesday, 22 July 2020 at 9.30 a.m. or any adjournment thereof, to vote as indicated below:

No.	Resolution		For	Against
1.	Re-election of Datuk Zainun Aishah Ahmad	Ordinary Resolution 1		
2.	Re-election of Dato' Seri Mohamed Khaled Nordin	Ordinary Resolution 2		
3.	Re-election of Dato' Sri Amrin Awaluddin	Ordinary Resolution 3		
4.	Re-election of Abraham Verghese a/l TV Abraham	Ordinary Resolution 4		
5.	Re-election of Lieutenant General Dato' Fadzil Mokhtar (R)	Ordinary Resolution 5		
6.	Re-election of Dato' Nonee Ashirin Dato' Mohd Radzi	Ordinary Resolution 6		
7.	Re-election of Loong Caesar	Ordinary Resolution 7		
8.	Re-election of Izaddeen Daud	Ordinary Resolution 8		
9.	Approval of Directors' fees, allowances and other benefits for Boustead Holdings Berhad and its subsidiaries from 23 July 2020	Ordinary Resolution 9		
10.	Re-appointment of Messrs. Ernst & Young PLT as Auditors	Ordinary Resolution 10		
11.	Approval for Directors to allot and issue shares	Ordinary Resolution 11		
12.	Renewal of Shareholders' Mandate for recurrent related party transactions	Ordinary Resolution 12		

Dated this __________ day of ______________ 2020

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.:	

____
Signature of Member

Notes:

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 (COVID-19), the AGM will be conducted on **a virtual basis through live streaming whilst the online remote voting** will be via Remote Participation and Voting (RPV). Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.
2. The venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No Shareholders/proxy(ies) from the public will be physically present at the meeting venue on the day of the meeting.
3. For the purpose of determining who shall be entitled to participate in the AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the Record of Depositors as at 15 July 2020. Only members registered in the Record of Depositors shall be entitled to participate in the AGM via RPV.
4. A member of the Company entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
5. A member of the Company entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:
   (i) In hard copy form
   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than Monday, 20 July 2020 at 9.30 a.m.
   (ii) By electronic form
   The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online (applicable to individual shareholders only). Kindly refer to the Administrative Notes on the procedures for electronic lodgement of proxy form via TIIH Online.

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Share Registrar of Boustead Holdings Berhad

Tricor Investor & Issuing House Services Sdn Bhd 197101000970 (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur

Please fold here

Please fold here to seal

www.boustead.com.my

BOUSTEAD HOLDINGS BERHAD 196001000193 (3871-H)

28th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia