

# HEAVY INDUSTRIES

## DIVISION

### KEY DEVELOPMENTS

ACHIEVED  
**700,000** MAN-HOURS  
WITHOUT LTI

LCS  
**FIRST**  
WELDING CEREMONY





*KD PAHANG patrol vessel*

The Division was severely affected by the significant drop in crude oil prices, which negatively impacted the local oil and gas as well as the shipbuilding and ship repair sectors. The move by major oil companies to cut their development expenditure has reduced the demand for offshore support vessel services and major new fabrication work. In addition, the government has reduced its budget for maintenance, repair and overhaul (MRO) of naval vessels.

As a result of these factors, the Division registered a deficit of RM137 million, compared with the previous year's profit of RM26 million.

**Boustead Naval Shipyard Sdn Bhd (BN Shipyard)** registered a loss of RM92 million due to the provision for liquidated ascertained damages for KD KASTURI under the service life extension programme, provisions for foreseeable losses for the restoration of KD PERANTAU and certain adverse foreign exchange provisions on contracts with Original Equipment Manufacturers for the Littoral Combat Ship (LCS) project.

BN Shipyard's Langkawi subsidiaries posted a loss due to lower margin generated from its MRO activities, costs overrun on its shipbuilding project and provision for legal claims.

**Boustead Heavy Industries Corporation Berhad (BHIC)** registered a loss due to higher direct costs incurred by the chemical tankers while waiting for the conclusion of our disposal plan. Its subsidiary, Boustead Penang Shipyard Sdn Bhd (BPS) incurred further cost on the change order request by Murphy Sarawak Oil Co Ltd.

Nevertheless, contribution from joint venture companies, Contraves Advanced Devices Sdn Bhd and BHIC AeroServices Sdn Bhd, registered a better profit.





## DEFENCE & SECURITY

The Division's commitment to quality shipbuilding has allowed it to enhance the Royal Malaysian Navy's (RMN) assets through the years.

In 2015, BN Shipyard held a Majlis Kimpalan Ulung or first welding ceremony to mark the commencement of construction of the first of the six LCS contracted by the government of Malaysia for the RMN.

This marks the first time Malaysian engineers will be involved in the shipbuilding process from the design phase all the way to completion of the LCS, allowing for the essential transfer of skills and technology. We expect this project to propel BN Shipyard while advancing Malaysia's maritime and defence industry.

The Group offers effective support to ensure the optimal operational availability of RMN's critical defence assets. As part of phase two of the BN Shipyard rationalisation programme, we implemented an Integrated Hull Outfitting and

## REVENUE

**RM1.4  
BILLION**

## TOTAL ASSETS

**RM4.4  
BILLION**

Painting programme together with a new approach to production planning.

The efficacy of the rationalisation programme was proven with the on-time completion of ship repair and refit of several RMN vessels in 2015. The refit of KD LAKSAMANA HANG NADIM was completed and handed over to RMN while emergency repair works were undertaken for KD HANG TUAH, KD KASTURI, KD MAHAWANGSA, KD MUTIARA, KD SELANGOR and KD TERENGGANU.

Restoration and refit works for the hydrographic survey vessel, KD PERANTAU was undertaken and is expected to be completed and handed over in the second quarter of 2016.

## COMMERCIAL

Jointly undertaken by BPS and Boustead Langkawi Shipyard Sdn Bhd (BLS), our shipbuilding project to design, supply, construct, test and commission a 17-metre harbour tug was completed and delivered to North Tugz Ltd, New Zealand.

Through BPS and BLS, we offer MRO services for small and medium range vessels, in line with the Malaysian Shipbuilding and Ship Repair Industry Strategic Plan 2020.

## HEAVY INDUSTRIES DIVISION



*BPS completes the load out and sail away of the offshore Belum Topsides (BE-SA) facilities*

## ENERGY

Through BPS, our energy segment is principally involved in the fabrication of offshore steel structures and the provision of other offshore oil and gas engineering related services. BPS is one of the few PETRONAS-licensed major fabricators in Malaysia.

BPS completed the load out, sail away, hook up and commissioning of the Belum Topsides (BE-SA) facilities for Murphy Sarawak Oil Co Ltd. The completion of this project also marked our achievement of over 700,000 man-hours of fabrication without lost time injury or incident.

Backed by a string of successfully delivered projects, we are encouraged by the prospects ahead for BPS as an integrated Engineering, Procurement, Construction, Installation & Commissioning contractor providing a comprehensive list of services.

**MHS Aviation Berhad (MHS)** achieved an operating profit for the year under review. However, receivables impaired on its key contract impacted its results to post a net loss.

Existing contracts continue to drive the company's growth, including contracts with PETRONAS Carigali Sdn Bhd, ExxonMobil Exploration and Production Malaysia Inc,

SapuraKencana Energy Peninsula Malaysia Inc and EQ Petroleum Production Malaysia Ltd. MHS' high standards of service were well-recognised, as its contract with Coastal Energy KBM Sdn Bhd was extended for the year. GAP-MHS Aviation Lda, a joint venture with the Timor Leste government, performed its operations within the local oil and gas industry in Dili, Timor Leste.

**Boustead Atlas Hall Sdn Bhd** was impacted by the struggling oil and gas industry. Despite this, the company was able to successfully complete construction of eight mobile hangars.

## OUTLOOK

The reorganisation of the BHIC Group will yield better operational efficiencies and organisational clarity with its businesses now divided into three distinct segments of Defence & Security, Commercial and Energy.

In tandem with the reorganisation, we entered into an agreement with Jasa Merin (Labuan) Plc in December 2015 for the sale of three of our chemical tankers at USD5.7 million each. The proposed disposal is expected to be completed in March 2016.

Boustead DCNS Naval Corporation Sdn Bhd (BDNC), a joint venture company of BHIC provided in-service support encompassing all maintenance related work for two Scorpene-submarines, KD TUNKU ABDUL RAHMAN and KD TUN RAZAK. We were awarded with an extension of the in-service support contract at a total dual currency contract value of RM153 million and EUR70 million. Our new contract extends to March 2018. Further to this, BDNC received a letter of award from the government for the refit of the two submarines for a period of 18 months. The dual currency contract is priced at EUR170 million and RM432 million.

BHIC Navaltech Sdn Bhd will undertake the administration and implementation of the supply and delivery of spares, maintenance, integrated logistics support and training for the 17th Patrol Vessel



squadron of the RMN. The tenure of the contract is for a period of three years at a contract price of RM94 million.

The contract between BN Shipyard and the government for the supply and delivery of spare parts, maintenance services and training for the 23rd Frigate squadron of the RMN was extended for another two years.

We expect to complete the basic design of the LCS in the coming year. This will be followed by the

keel laying process, which will advance the physical construction of the first of the six LCS. Further to this, systems integration work is set to progress in 2016.

It is a great honour to play a role in raising the standards of Malaysia's defence assets to better protect the nation's shoreline. We are encouraged by the trust placed in us by the government of Malaysia and look forward to delivering superior results.



Mobile hangars



# FINANCE & INVESTMENT DIVISION

## KEY DEVELOPMENTS

UNMC  
**5,000**  
STUDENTS

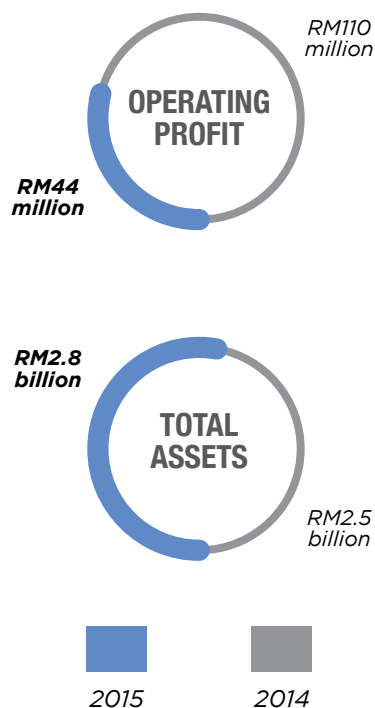
AFFIN BANK BERHAD  
**106**  
BRANCHES





The Division achieved a profit of RM44 million, driven by its two primary contributors, the Affin Group and Boustead Travel Services. Market conditions in the finance and banking sector weighed down the Division's contributions to the Group. It was also impacted by higher interest costs at the parent company.

**Affin Holdings Berhad** registered a profit before tax of RM514 million compared with RM801 million in the previous year. The Affin Group contributed a profit of RM74 million to Boustead compared with RM125 million last year.



*Affin Bank Berhad* registered a profit of RM461 million compared with RM720 million in the previous year, due to tough market conditions in the finance and banking sector and weakened demand. This resulted in lacklustre loan growth, greater pressure on earnings and concerns over asset quality. The banking industry was also impacted by margin compression, with increased competition for loans and deposits.

The Bank is focused on building its retail network despite the setbacks of the economic climate. During the year, the Bank expanded its network with a new branch in Kota Damansara, bringing its total to 106 branches nationwide. In order to provide added convenience to its consumers, the Bank also installed additional off-site Self-Service Machines, with 119 machines in total. To complement its growing market presence, the Bank introduced new offerings this year, along with value-adding promotions and campaigns. This included re-launching the AFFINBANK BHPetrol 'Touch and Fuel' MasterCard Contactless, with improved benefits and privileges.

**REVENUE**  
**RM197**  
**MILLION**

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**PROFIT BEFORE TAX**  
**RM44**  
**MILLION**

The Bank inked an agreement with Bursa Malaysia Berhad, offering the market an electronic subscription and payment service for the application of Rights Issue, known as eRights. Affin Bank is among the first financial institutions to offer this innovative service, which provides the convenience of utilising ATM and internet banking facilities for transactions and processing of Rights Issue.

Meanwhile, in order to strengthen its capabilities, the Bank undertook initiatives to improve its technological and operational processes. Key efforts comprised adding new functions such as GST readiness and the implementation of a Software Distribution and Management

System for security management and monitoring. This is in line with Bank Negara Malaysia's requirements to improve the security of ATMs. Coupled with this, the Bank introduced a channel for customers to apply for an eSaver or eSaver-I account via its retail internet banking platform.

*Affin Islamic Bank Berhad*, a wholly-owned subsidiary of Affin Bank Berhad delivered a higher profit of RM117 million compared with RM92 million last year. This was due to a higher operating income and lower overhead expenses.

*Affin Hwang Investment Bank Berhad* posted a profit before tax of RM60 million, a decline from RM89 million in the previous year. In order to improve operational efficiencies, the company undertook a right-sizing exercise, which saw operating expenses increase due to costs for staff rationalisation. Over the long-term, the investment house expects to see improved synergies as a result of these efforts.

Net income increased by 3.2% in 2015, driven by a 23.5% jump in fee income on the back of strong contributions from the asset management business. This was further supported by income from securities and investment banking activities.

Affin Hwang Capital's securities business successfully retained the top spot on Bursa Malaysia in trading value and trading volume respectively. In recognition of its achievements, the company was awarded Best Investment Bank by Bursa Malaysia in the Annual Broker Awards, in the Best Equities and Best Institutional categories. The company's analysts also received several industry awards for outstanding research.

*Affin Hwang Asset Management Berhad* maintained its growth momentum in 2015, ending the year with RM35 billion in assets under administration. The asset management business won a number of industry awards both locally and regionally, including the prestigious Fund House of the Year (Malaysia) by Asian Investor, as well as the Best Islamic Asset Management Company in Asia by Islamic Finance News.

*AXA Affin General Insurance Berhad (AAGIB)* registered a profit of RM111 million in 2015, slightly lower than the previous year's RM120 million primarily as a result of foreign exchange losses. AAGIB's gross written premium stood at RM1.33 billion. This represents a substantial 17.6% increment mainly due to growth, particularly from its motor insurance segment.

*AXA Affin Life Insurance Berhad (AALIB)* recorded a deficit of RM36 million for the year under review. This was primarily attributable to strengthening of policyholders' funds in order to support policyholders' future benefits, as well as lower realised gains on investments. Gross premiums rose by 10% to RM361 million, recording double digit growth in both first year and renewal premiums.

AALIB saw a 15% growth in new business driven by its multi-distribution channels. The expansion of its agency force and an increase in case productivity resulted in an 11% growth in agency new business. Meanwhile, the Bancassurance and direct marketing/telemarketing segment grew by 22%, with the implementation of a multi-partnership strategy. The Employee Benefits business registered a good growth of 69%.



## FINANCE &amp; INVESTMENT DIVISION



*Cruise liners berthed at Boustead Cruise Centre's terminal*

**Boustead Travel Services Sdn Bhd** recorded a consistent profit in excess of RM6 million. The company provides efficient and effective travel services, especially for its large portfolio of corporate clientele. With three branches in the Klang Valley and with more than 80 skilfully trained employees, the company is one of the top 10 travel agencies in the nation. It has strengthened its inbound business through Boustead Cruise Centre, and by expanding its online presence with an enhanced website featuring more products and services.

**Boustead Cruise Centre Sdn Bhd (BCC)** successfully achieved its revenue target for its first year of operations. Rebranding efforts to promote BCC in tandem with significant infrastructure improvements to the port facilities received a positive response from its key clientele, namely international cruise liners and

foreign naval vessels. The terminal attracted over 130 cruise vessels with over 220,000 passengers and naval vessels from seven countries.

**Boustead Shipping Agencies Sdn Bhd** recorded reduced losses. This was achieved by consolidating its

logistics operations from its Port Klang office, with the closure of its Johor and Penang branches. Air freight revenue from operations at Kuala Lumpur International Airport and shipping revenue from the company's Kuching branch also contributed to overall performance.



*Boustead Travel's booth at MATTA Fair 2015*





**University of Nottingham in Malaysia Sdn Bhd**, more commonly known as the University of Nottingham Malaysia Campus (UNMC), reported a loss for the financial year. This was due to a higher level of student recruitment cost and non recoverability of input tax from GST. In addition, the Ringgit's depreciating value had a negative impact on UNMC's results.

Nonetheless, UNMC remained a favoured choice for students, parents and sponsors in 2015, with its total student body numbering close to 5,000. While recruitment continued to face intense competition from other foreign and local institutions nationwide, UNMC ranked among the highest in the country in terms of student satisfaction.

As a research-intensive institution, UNMC has been the recipient of research funding from both public and private sectors for its research partnerships in Malaysia and across the ASEAN region. In particular, it is renowned for its focus areas on aerospace, Islamic business and finance, environment and ecology, as well as sustainable palm oil.

Upcoming research centres will aim to cover studies on green technology and post-harvest

technology. For its efforts, UNMC was recognised as the highest-rated international university in Malaysia, receiving a 5-star rating in the Malaysian research assessment exercise in 2015.

The institution commemorated the 15th anniversary of its campus opening in Malaysia with various community outreach initiatives. In addition to its current scholarships of more than RM15 million, the implementation of new programmes aims to provide educationally disadvantaged students, including refugees and Orang Asli, with access to higher education.

**Drew Ameroid (Malaysia) Sdn Bhd** recorded a steady performance in its water treatment business, achieving a strong growth in sales in spite of the challenges posed by rising product costs and an increasingly competitive operating environment.

**Kao (Malaysia) Sdn Bhd** delivered a commendable performance despite the challenging economic climate. Profit doubled for 2015 compared with the previous year as sales grew by 18%. The company's strong results were mainly attributable to the strengthening of core brands such as 'Biore',

'Laurier', 'Attack' and 'Liese' through promotional campaigns. Earnings were improved through cost-optimisation to offset the impact of foreign exchange losses.

**Boustead Credit Sdn Bhd** experienced unfavourable market conditions, incurring high impairment on delinquent receivables.

**Cadbury Confectionery Malaysia Sdn Bhd** was impacted by negative consumer sentiment as a result of a disproved allegation. It was only at the half-year mark that Cadbury began to see higher sales volume marking the improvement of consumer confidence.



# TRADING & INDUSTRIAL DIVISION

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## KEY DEVELOPMENTS

BHPETROL  
**21**  
NEW STATIONS

LAUNCH OF  
**UCO DECOWOOD**  
A WOOD REPLACEMENT  
FIBRE CEMENT PRODUCT RANGE

6







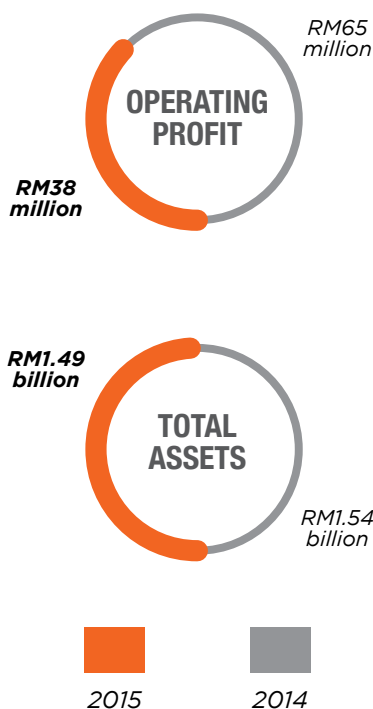
The retail petroleum business sustained its earnings track record, against a backdrop of highly volatile commodity prices. Nevertheless, the paint and building materials segment impacted bottom line with the Division registering a profit of RM38 million.

**Boustead Petroleum Marketing Sdn Bhd** posted a profit of RM55 million, a marginal dip from last year's results, which is commendable given the struggles faced by the global oil and gas sector. This is testament to the company's foresight and prudent management in the face of volatile commodity prices.

REVENUE  
**RM3.6**  
BILLION

PROFIT BEFORE TAX  
**RM38**  
MILLION





the Klang Valley, following its introduction in Johor last year, successfully cementing its brand presence and image in the sector.

In the commercial business, the liquefied petroleum gas (LPG) and lubricant businesses registered growth. Along with a 3% volume increase, the LPG business achieved improved margins due to Automatic Pricing Mechanism product recovery adjustments. Meanwhile, the lubricant business performed strongly and doubled its profit contribution.

Amidst a challenging environment, the company's strategy saw it achieve volume growth across its portfolio of products, with the exception of retail diesel which was impacted by subsidy removal.

Twenty-one new stations were opened in the year under review, expanding the brand's retail network and market share. BHPetrol was first-to-market in launching EURO5 diesel in





## TRADING &amp; INDUSTRIAL DIVISION



We expect BGTN to perform better particularly via its joint venture projects in Myanmar.

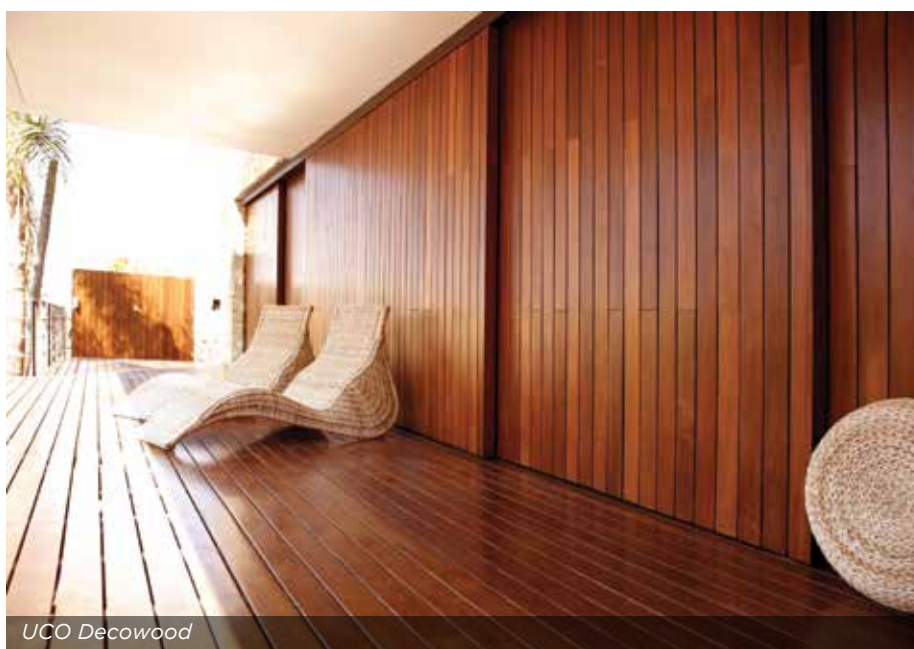
**Boustead Building Materials Sdn Bhd** recorded an improved gross margin attributable to a better mix of high margin items. This was achieved on the back of a lower turnover. Building materials remain the company's key product, contributing 75% of its total turnover, followed by project management and contracting. The proposed disposal of the property and assets of Johan Ceramics Berhad for a cash consideration of RM28 million is expected to be completed in the first half of 2016.

**Johan Ceramics Berhad** ceased operation in mid-2015 in order to halt the continuing losses. We have been consistent in our stand that non-core assets will not have a role in Boustead. To this end, the Group came to this decision following an exhaustive review of the business.

**UAC Berhad** registered a profit of RM19 million, a slight reduction compared to last year's RM20 million. The company's results were primarily impacted by impairment of invested equities and share of loss from the newly acquired Boustead Global Trade Network Sdn Bhd (BGTN) due to a one-off retrenchment cost.

IBS Wall System also garnered higher acceptance. We focused on export sales to capitalise on higher foreign exchange gains as a result of the stronger USD. Consequently, our core building products business in particular registered a 35% growth on a year-on-year basis.

The fibre cement products industry faced weak domestic sentiments during the year. To mitigate this, we produced value-added products including UCO Decowood, shiplap planks, skirting and thicker Superflex boards that yielded additional sales traction. Our





**Boustead Sissons Paints Sdn Bhd** was impacted by soft market sentiments particularly in the domestic environment. While savings were recorded owing to efforts to streamline and optimise operations, it was not sufficient to counter the effects of lower sales volume as well as the impairments related to receivables, inventory and intangible assets.

**Boustead Engineering Sdn Bhd** commenced its new lighting business with encouraging success. In addition, the company's projects business completed the construction of eight ship hangars for Boustead Naval Shipyard. The scaling down of investment in the palm oil sector affected the mechanical industrial services business.



*Building trade show*

# CORPORATE RESPONSIBILITY



The year 2015 was a difficult one for many, with the rising cost of living, a foremost concern. While the government has measures in place to aid those most vulnerable, as evidenced by the positive incentives under Budget 2015 and more recently, Budget 2016, we too must do our part. It is in times like this that we,

as conscientious corporate entities must heighten our social outreach.

Over the past year, the Boustead Group has made a positive difference through human capital development, community outreach, environmental conservation and empowerment through education.





## HUMAN CAPITAL

The Boustead Group is committed to the development of Malaysia's human capital. This year, we invested in our talent base through several training programmes aimed at improving technical and soft skills.

As we grow both in headcount and in business, we are aware of the need to connect with our employees and provide them with an avenue to be heard. We took note of the constructive feedback garnered from our employees through our Group-wide Employee Engagement Survey conducted in 2014 and continue to implement relevant action plans to address their needs.

At Group level, we welcomed 50 interns this year as part of Skim Latihan 1 Malaysia-Boustead Graduate Internship Programme. Since 2011, this noble programme which aims to enhance

employability by arming unemployed graduates with the skills necessary to enter the working world has helped 123 individuals.

In order to expose employees within our plantation arm to the latest developments within the sector, we participated in multiple seminars, conventions and workshops including the Malaysian Palm Oil Board International Palm Oil Congress (PIPOC) 2015. The biennial event featured five concurrent conferences on the industry. We also conducted in-house and external courses on information technology, specialised software, audit training, Goods and Services Tax training and more.

Our employees are encouraged to upskill. In fact, those who pursue talent development opportunities are awarded for their efforts.



*Boustead SLIM programme interns*



## CORPORATE RESPONSIBILITY

In recognition of the role of Small and Medium Enterprises (SMEs) as the backbone of our economy, our Heavy Industries arm has put in place a Vendor Development Programme to assist, promote and develop SMEs. The programmes undertaken included a Project Management Professional course and an ISO 9001 Awareness course. Apart from our in-house courses, our vendors were also groomed through participation in external courses. This included the six-month 1-InnoCERT certification programme organised by SIRIM, designed to encourage entrepreneurs to venture into high-technology and innovation-driven industries. We are glad to note that as a result of this programme, two

of our vendors were awarded with a RM50,000 grant each, by the Ministry of International Trade and Industry (MITI).

In addition, seven of our vendors who took part in the Enterprise Innovation Intervention Programme organised by Malaysia Productivity Corp received a RM50,000 grant each from MITI. The programme trained vendors on methods to reduce wastage, improve processes as well as increase productivity, quality and delivery time.

The Group's subsidiaries co-hosted GLC SME ExplorAce 2015 to expose SMEs to the business opportunities as well as technical and financial institutions. The event

afforded SMEs with a beneficial networking opportunity given the calibre of participating entities. The SMEs in attendance also received a certificate of participation in addition to a letter of recognition and acknowledgement from MITI.

At Boustead, the professional development of our human capital comes in tandem with improved quality of life. As such, we undertook various steps to improve the welfare of our employees including providing day-care centre services and transportation assistance for employees stationed at our plantation estates and palm oil mills.



ICAEW graduation ceremony



Graduation ceremony organised by MICPA





GLC SME ExplorAce 2015

## COMMUNITY

We value the symbiotic relationship we have fostered over the years with the communities we operate within. This mutually beneficial partnership allows for the healthy development of both the Boustead Group and our surrounding communities.

A new UNMC student-led fund, MADMoney (Make A Difference), supported various projects that benefitted different communities. In an ongoing collaboration with the Penan community in Sarawak, UNMC not only set up a hydro-electric facility in the village, but also worked to further develop the local school.

Encouraging and strengthening the bond among employees is critical to Boustead's continued success. In our effort to strengthen the spirit of camaraderie within the extended Boustead family, we organised sports activities, family days and retreats.



GLC Open Day 2015



## CORPORATE RESPONSIBILITY

The east coast floods continued well into January of 2015, bringing with it, a wave of destruction. We contributed towards the relief efforts of the east coast floods during the year through the provision of necessities including emergency medical supplies and food as well as through the refurbishment of facilities ruined by flood waters.

Pharmaniaga Berhad also set up a flood relief centre in Kelantan. Apart from providing flood victims with shelter, a helping hand was extended six months later as we helped flood victims celebrate Hari Raya Aidilfitri. In addition, the Group also contributed funds to help Sabah and Sarawak flood victims. In total, RM1.9 million in aid was provided for flood relief efforts nationwide.

For the ninth year running, suburban, rural and Orang Asli communities were provided with access to much-needed healthcare facilities through our Skuad Operasi Sihat 1Malaysia (SOSIM) programme.



A contribution of half a million ringgit was made to those in need from across the nation through the Di Celah-Celah Kehidupan television programme, marking the Group's fifth consecutive year of participation. To date, the Boustead Group has contributed over RM2.5 million through this programme.

The Group reached out to the less privileged members of society through various charitable organisations including Pertubuhan Kebajikan Pelajar Pelajar Tahfiz Malaysia, Persatuan Orang Kurang Upaya Anggota Melayu Malaysia, Negeri Sembilan Parkinson's



Society, Breast Cancer Welfare Association and Yayasan Generasi Malaysia amongst many others.

The festive season can be difficult for those less fortunate. We welcomed many underprivileged Malaysians into our fold through our outreach effort to charitable homes, including Rumah Kasih Sayang, Rumah Kebajikan Chrestus, Pusat Jagaan Lambaian Kasih, Pusat Jagaan Anak Yatim & Miskin Seri Kundang, Persatuan Kebajikan Kanak-kanak Cornerstone, Rumah Perlindungan Al Nasuha and Rumah Charis Old Folks Home.

The Group also provided aid to the communities surrounding our estates in conjunction with the many cultural and religious celebrations.





Apart from monetary aid, the Group also played host to various charitable campaigns through the Curve and eCurve, including, NKF Direct Debit Donor Programme by National Kidney Foundation Malaysia, Deaf Synergy In Art by RC Deaf Missions Malaysia, You're Not Alone by Breast Cancer Welfare Association and National Cancer Council Malaysia's (MAKNA) Cancer Awareness Campaign.

Through our Pharmaceutical arm, we organised the second annual blood donation drive, 'You're Somebody's Type' for the National Blood Centre to boost awareness on the importance of blood donations. Furthermore, we also organised a blood donation drive for Jabatan Perubatan Transfusi Pusat Perubatan Universiti Malaya.



The Group celebrated one decade of the annual BHPetrol Orange Run this year with the participation of over 3,000 runners. In line with our commitment to giving back to the community, a total of RM30,000 was contributed to Damai Disabled Person Association Malaysia, The National Autism Society of Malaysia and Pusat Harian Kanak-Kanak Spastik Bandar Ipoh.

In support of healthy living, the Curve provided venue sponsorship for CHARM Cheerleading Championship 2015 organised by the Cheerleading Association and Register of Malaysia (CHARM) and supported by the Ministry of Youth and Sports Malaysia to promote cheerleading among youths.

Staff members, students and alumni of UNMC bicycled to raise funds as part of the UNMC Lifecycle campaign in support of autism awareness.



UNMC's ACE (Action with Compassion & Empathy) Society held its 7th annual Nottingham Charity Run 2015, with the purpose of shedding light on the plight of children with disabilities. This event was successful in raising RM35,600.

## CORPORATE RESPONSIBILITY



through the PINTAR programme. In total, RM105,000 was budgeted for this programme which ran from 2013 to 2015.

In addition, via Yayasan Warisan Perajurit which was supported by the Group, we handed out RM4.2 million worth of scholarships to deserving children of Armed Forces personnel for commendable performance in major examinations.

Recognising the importance of cultivating the habit of reading among the young, the Group sponsored Bahasa Malaysia and English language newspaper pull-outs for selected schools.

Working closely with Persatuan Veteran ATM, we lent a helping hand by purchasing books for preschool and kindergarten students in states that were badly affected by the east coast floods.

During the year, the Group, through its various subsidiaries provided financial aid to schools and institutions across the nation to create a more conducive learning environment for young Malaysians.

## EDUCATION

The education of our young is an important element on the Boustead Group's corporate social responsibility agenda. Possibly the most effective way to reduce poverty and inequality, the empowerment of young Malaysians through education has the power to bring about opportunities not just for the child in question but for society as a whole. During the year, we undertook several initiatives to this end.

The Group sponsored various educational programmes through organisations including Yayasan Sultan Azlan Shah, Yayasan Insitut Pengajian Al-Quran and Pusat Kreatif Kanak-Kanak Tuanku Bainun.

The Group contributed RM300,000 to the 1 Billion Education Fund (TP1B). TP1B was launched by UiTM Alumni Association Malaysia to assist poor students studying in higher learning institutions.

The Group made a positive difference in the lives of underprivileged students in Sabah and Sarawak, with a contribution of RM120,000 to the Back to School programme. The programme was organised to provide students with basic schooling necessities so that they are better prepared for the academic year, thus helping to lessen the burden of underprivileged families.

Underprivileged students, particularly children of Armed Forces personnel were also assisted





## ENVIRONMENT

The Boustead Group is aware that business sustainability is undeniably linked to environmental sustainability. We strive to incorporate environmental sustainability into every aspect of our business process. Prioritising environmental conservation, our Plantations arm has earmarked 2,130 ha of land in our estates which is left in its natural state.

In our effort to emphasise sustainable agricultural practices, we have successfully obtained Roundtable on Sustainable Palm Oil (RSPO) certification for our Nak business unit while our Trong business unit is expected to obtain certification in 2016. We have also taken steps towards achieving Malaysian Sustainable Palm Oil (MSPO) certification for our estates and mills.

We utilised our very own AA+ Plastic Mulch system across all our plantation estates during the year. The system shields palm roots from mechanical and chemical damage. It also boosts fertiliser retention. Empty fruit bunches were used as mulching, particularly in plantations located in the vicinity of our palm oil mills, reducing the need for chemical fertilisers.

To further cut down on chemical use and fertiliser wastage, we plan to establish soil conservation terraces and cover crops within six months after land clearing and preparation.

In line with our vision to create a healthy and optimal growing environment for our oil palms, we will continue exploring additional methods to reduce usage of chemical fertilisers.

Through our zero burning policy for both new planting and replanting of oil palms, we allow our palms to decompose naturally, releasing much needed nutrients into the soil while minimising our carbon footprint.

We have progressed steadily with the installation of our first biogas capture plant, the Telok Sengat palm oil mill in Kota Tinggi, Johor and are currently in the final stages of testing and commissioning the plant. Once completed, we aim to capture approximately 11,000M<sup>3</sup> of biogas per day with a percentage of this captured biogas utilised to power a 600kWe gas engine producing electrical power.



*Biogas desulphurisation tower (scrubber)*

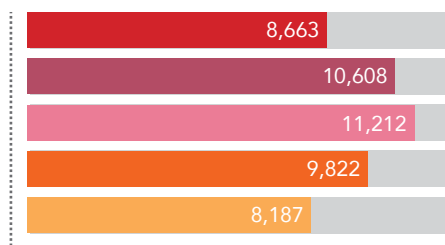


# FIVE-YEAR FINANCIAL HIGHLIGHTS

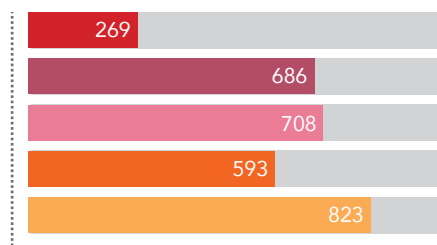
		2015	2014	2013	2012	2011
FINANCIAL PERFORMANCE						
Revenue		8,663	10,608	11,212	9,822	8,187
Profit before taxation		269	686	708	593	823
Profit after taxation		139	533	560	499	723
Profit attributable to shareholders		13	408	479	417	611
Earnings per share	sen	1.3	39.5	46.3	40.3	59.0
Return on equity	%	0.2	7.3	9.7	9.2	14.1
Return on assets	%	3.3	6.1	6.7	6.2	9.5
Return on revenue	%	4.3	6.0	4.5	5.2	7.1
DIVIDENDS						
Dividend payment		207	269	310	336	375
Net dividend per share	sen	20	26.0	30.0	32.5	39.0
Dividend yield	%	4.7	5.4	5.3	6.3	6.7
Dividend cover	times	-	1.5	1.5	1.2	1.6
GEARING						
Borrowings		8,034	7,081	6,636	6,610	5,089
Gearing	times	1.1	0.9	1.1	1.2	1.0
Interest cover	times	1.9	3.4	3.7	3.7	5.1
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	556	569	506	450	430
Share price - high	sen	475	550	571	596	650
Share price - low	sen	380	438	493	486	449
Price earning ratio	times	330	12.2	12.1	12.9	9.8
Paid up share capital		517	517	517	517	470
Shareholders' equity		5,750	5,880	5,234	4,656	4,451
Total equity		7,358	7,573	5,925	5,322	5,162
Total assets		17,620	16,680	15,118	13,693	12,518

All figures are in RM Million unless otherwise stated.

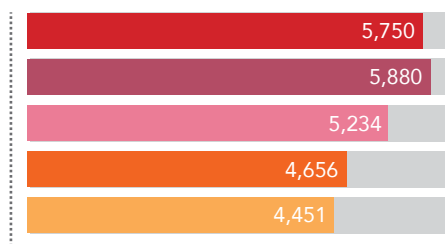
### Revenue (RM Million)



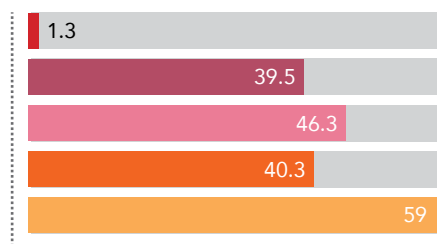
### Profit before taxation (RM Million)



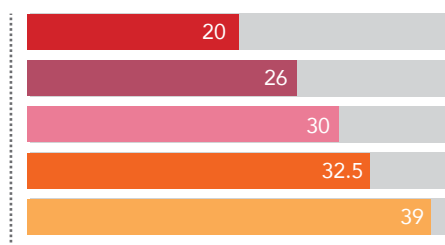
### Shareholders' equity (RM Million)



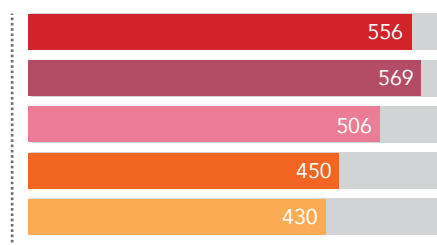
### Earnings per share (Sen)



### Dividend per share (Sen)



### Net assets per share (Sen)



■ 2015 ■ 2014 ■ 2013 ■ 2012 ■ 2011

# AUDIT COMMITTEE REPORT

## MEMBERS AND MEETINGS

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

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	Non-Executive Director Chairman of the Committee	Yes	5/5
Datuk Francis Tan Leh Kiah	Non-Executive Director	Yes	5/5
Datuk Azzat Kamaludin	Non-Executive Director	No	4/5

The Deputy Chairman/Group Managing Director, Group Finance Director and Head of Group Internal Audit attend the meetings as and when appropriate. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

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.

## TERMS OF REFERENCE

### Membership

The Audit Committee shall comprise at least three Non-Executive Directors, the majority of whom are independent, including the Chairman. All members of the Audit Committee shall be financially literate and at least one member shall be a professional or qualified accountant. Any vacancy resulting in there being no majority of Independent Directors shall be filled within three months.

### Authority

In carrying out their duties and responsibilities, the Audit Committee shall have the authority to:

- investigate any matter within its terms of reference;
- have the resources which are required to perform its duties and to obtain independent professional or other advice it deems necessary;



- have full and unrestricted access to any information pertaining to the Group;
- have direct communication channels with the external and internal auditors, as well as employees of the Group; and
- be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

### Key Functions and Responsibilities

A summary of the key functions and responsibilities of the Audit Committee in accordance with the terms of reference of the Audit Committee is as follows:

1. Review the external auditors' audit plan, the scope of their audits and audit report.
2. Review the evaluation of the system of internal control with the internal and external auditors.
3. Review the adequacy of the scope, functions, competency and resources of the in-house internal audit function, including whether it has the necessary authority to carry out its work.
4. Review the internal audit plan and results of the internal audit plan or investigation undertaken and follow-up on the recommendations contained in the audit reports of the internal audit function. Where required, members of the Audit Committee would carry out ground visits to verify significant issues highlighted in the internal audit reports.
5. Review the Group's quarterly results and the annual financial statements prior to the approval by the Board of Directors.
6. Review any related party transactions and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises questions of Management integrity.
7. Review the procedures of recurrent related party transactions undertaken by the Company and the Group.
8. Review the Risk Management Committee's periodic report on key risk profiles and risk management activities.
9. Discuss with the external auditors with regards to problems and observations noted in their interim and final audits.
10. Assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.
11. Recommend the nomination of a person or persons as external auditors.
12. Review of the written confirmation of independence from the external auditors in accordance with the applicable Malaysian regulatory and professional requirements.
13. Review any letter of resignation from the external auditors or suggestions for their dismissal.
14. Monitor the Group's compliance to the Main Market Listing Requirements (MMLR) and the Malaysian Code on Corporate Governance from assurances by the Company Secretary and the results of review by the external and internal audits.

## AUDIT COMMITTEE REPORT

15. Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the MMLR, the Audit Committee will promptly report such matter to the Bursa Malaysia Securities Berhad.
16. Carry out any other functions that may be mutually agreed upon by the Audit Committee and the Board of Directors.

### ACTIVITIES DURING THE FINANCIAL YEAR

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

#### Financial Reporting

1. Reviewed the quarterly unaudited financial results and audited annual financial statements of the Group to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors.
2. Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements.
3. Obtained assurance from the Group Finance Director that
  - appropriate accounting policies had been adopted and applied consistently;
  - the going concern basis applied in the annual financial statements and quarterly financial statements was appropriate;
  - prudent judgements and reasonable estimates had been made in accordance with Financial Reporting Standards (FRS);
  - adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the FRSs and MMLR; and
  - the annual financial statements and the quarterly financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2015.

#### External Audit

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

1. Their 2015 audit plan and scope of work for the Group.
2. Results of their annual audit, audit report and management letter together with Management response to their findings.
3. Their review of the Statement on Risk Management and Internal Control for 2015.

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 2015.

The Audit Committee met with the external auditors twice during the year in the absence of Management.

#### Internal Audit

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 adequacy of resource requirements and competencies of staff within the Group internal audit function to execute the annual audit plan and the results of the work.
4. Reviewed the effectiveness of internal audit processes and the resources allocated to Group Internal Audit.
5. Reviewed the Risk Management Committee's report on key risk profiles and risk management activities.
6. Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control and recommend to the Board for approval prior to their inclusion in the Company's annual report.

## Related Party Transactions

1. Reviewed the related party transactions entered by the Company and the Group as well as the disclosure of and the procedures relating to related party transactions.
2. 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.

## 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. The Group internal audit function 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.

The terms of reference of the Group internal audit function are clearly spelt out in the Group Internal Audit Charter (Charter). The Group internal audit function had operated and performed in accordance to the principles of the Charter that provides for its independence function. The 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.

During the financial year, the Group internal audit function had undertaken the following activities:

- Prepared the annual audit plan for approval by the Audit Committee.
- Performed risk-based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports.

- Issued internal audit reports to the Management on risk management, control and governance issues identified from the risk-based audits together with recommendations for improvements for these processes.
- Undertook ad-hoc reviews and investigations on matters arising from the audits and/or requested by the Management and/or Audit Committee and issued reports accordingly to the Management.
- Reported on a quarterly basis to the Management Audit Committee on significant risk management, control and governance issues from the internal audit reports issued, the results of investigations and special reviews undertaken and the results of follow-up of matters reported.
- Reported on a quarterly basis to the Audit Committee the achievement of the audit plan and status of resources of the Group internal audit function.
- Conducted regular follow-up and monitoring on the implementation of recommendations made by the Group internal audit function to ensure that appropriate corrective actions are taken on a timely basis or within agreed timelines.
- Liaised with the external auditors to maximise the use of resources and for effective coverage of the audit risks.
- Reviewed the procedures relating to related party transactions entered into by the Group to ensure that the related party transactions have been conducted on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders.

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 the Group internal audit function in respect of the financial year ended 31 December 2015 amounted to RM4.9 million (2014: RM4.5 million).



# STATEMENT ON CORPORATE GOVERNANCE

**The Board of Directors is committed towards adhering to the requirements and guidelines as per the Malaysian Code on Corporate Governance 2012 (Code) as well as the Main Market Listing Requirements (MMLR) and strives to adopt the substance behind the corporate governance prescriptions and not merely the form.**

The Board has reviewed and approved this statement and is satisfied that during the financial year under review, the Group has complied with the MMLR and the principles and recommendations outlined in the Code. The Board does not regard that the tenure of the Independent Directors exceeding a cumulative term of nine years as a material departure from the recommendations as the Board will seek shareholders' approval at the Annual General Meeting as recommended by the Code.

Set out below is the manner in which the Group has applied the principles of good governance and the extent to which it has complied with the Code.

## BOARD OF DIRECTORS

### Board Roles and Responsibilities

The Board is responsible for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.

The key responsibilities include the primary responsibilities prescribed under the Code. These cover a review of the strategic direction for the Group, overseeing and evaluating the business operations of the Group, reviewing the adequacy of the internal control, identifying principal risks and ensuring that the risks are properly managed, establishing a succession plan and developing and implementing an investor relations programme. The responsibility for matters material to the Group is in the hands of the Board, with no individuals having unfettered powers to make decisions.

In this regard, the Board is guided by the documented and approved Board Charter and Limits of Authority which define matters which are specifically reserved for the Board and day-to-day management of the Group delegated to the Deputy Chairman/Group Managing Director. This formal structure of delegation is further cascaded by the Deputy Chairman/Group Managing Director to the Senior Management Team within the Group. However, the Deputy Chairman/Group Managing Director and the Senior Management Team remain accountable to the Board for the authority that is delegated.

### Board Charter

The Board had formalised a board charter (Board Charter) which sets out a list of specific functions that are reserved for the Board. The Board Charter addresses, among others, the following matters:-

- Duties and responsibilities of the Board;
- Directors' Code of Ethics;
- Composition and Board balance;
- The role of Chairman and Chief Executive Officer;
- Appointments;
- Re-election;
- Supply of information;
- Separation of power;
- Board Committees;
- Remuneration;
- Financial reporting;

- General meetings;
- Investor relations and shareholder communication; and
- Relationship with other stakeholders (employees, environment, social responsibility)

### Directors' Code of Ethics

The approval and adoption of the Board Charter and Directors' Code of Ethics formalises the standard of ethical values and behaviour that is expected of the Directors at all times. The Board Charter and Directors' Code of Ethics are reviewed periodically to ensure their relevance and compliance.

The Group is also committed towards sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Group conducts its business. A report on the activities pertaining to corporate social responsibilities is set out in pages 72 and 79 of this annual report.

### Board Independence

The Code recommends that the tenure of an Independent Director should not exceed a cumulative term of nine years. Immediate compliance to the recommendation may pose a disadvantage to the Company in terms of losing experienced Independent Directors who over time have developed increased insight into the Company and the diversified business operations of the Group. Their experience and exposure to the Company over the years has provided an increasing contribution to the effectiveness of the Board as a whole. As of now, the Board does not believe that it should urgently impose a fixed term limit for Independent Directors. However, as

recommended by the Code, the Company will seek shareholders' approval at the Annual General Meeting in respect of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad, whose tenure have exceeded nine years. Both abstained from any Board deliberation pertaining to their independence.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in the MMLR and Practice Note 13. The MMLR's definition of independence includes a series of objective tests such as Director is not an employee of the Company and is not engaged in any type of business dealings with the Company. Thus far, the Board has determined and is satisfied that none of the Independent Directors engage in the day-to-day management of the Company, participate in any business dealings or are involved in any other relationship with the Company (other than in situations permitted by the applicable regulations). The Board complies with paragraph 15.02 of the MMLR, which requires that at least two Directors or one-third of the Board of the Company, whichever is higher, are Independent Directors. During the financial year, none of the Independent Directors had any relationship that could materially interfere with his unfettered and independent judgement.

### Composition of the Board

The Board currently has six members, comprising two Executive Directors and four Non-Executive Directors. Three of the Directors are Independent Directors, which is in excess of the MMLR's requirement of one third. Together, the Directors bring characteristics which allow a mix of qualifications, skills and experience which is necessary for the successful direction of the Group.



## STATEMENT ON CORPORATE GOVERNANCE

A brief profile of each Director is presented on pages 10 to 15 of this annual report.

The Group practises the division of responsibility between the Chairman and the Deputy Chairman/ Group Managing Director (GMD) and there is a balance of Executive, Non-Executive and Independent Non-Executive Directors. The roles of the Chairman and GMD are separate and clearly defined, and are held individually by two persons. The Chairman, who is an Independent Non-Executive Director, is primarily responsible for the orderly conduct and working of the Board whilst the GMD has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions.

Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad is the Senior Independent Non-Executive Director. Any concerns regarding the Group may be conveyed to him. The Senior Independent Director serves as the point of contact on sensitive issues and acts as a designated contact to whom shareholders' concerns or queries may be raised.

The terms of the appointment of Directors include procedures for dealing with conflict of interest and the availability of independent professional advice. The

Board believes that the current size and composition is appropriate for its purpose, and is satisfied that the current Board composition fairly reflects the interest of minority shareholders within the Group. Presently, the Board does not have any female Directors but recognises the government's call for gender diversity. Although no specific target has been set, the Board is mindful that any gender representation should be for the best interest of the Company.

### Board Meetings

Board meetings for the ensuing financial year are scheduled in advance before the end of the financial year to facilitate the Directors' planning.

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. The Board records its deliberations, in terms of issues discussed, and the conclusions in discharging its duties and responsibilities. All Directors are fully briefed in advance of Board meetings on the matters to be discussed and have access to any further information they may require. The Board may, whenever required, set up committees delegated with specific powers and responsibilities.

The composition of the Board and the attendance of each Director at the Board meetings held during the year are as follows:

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	Non-Executive Chairman	Yes	7/7
Tan Sri Dato' Seri Lodin Wok Kamaruddin	Deputy Chairman/ Group Managing Director	No	7/7
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	Non-Executive Director	Yes	7/7
Datuk Azzat Kamaludin	Non-Executive Director	No	7/7
Dato' Ghazali Mohd Ali	Executive Director	No	7/7
Datuk Francis Tan Leh Kiah	Non-Executive Director	Yes	6/7

## Access to Information and Advice

Board members are provided with Board papers in advance before each Board meeting for decision, including the overall Group strategy and direction, acquisitions and divestments, approval of major capital expenditure projects and significant financial matters. Directors are provided with adequate Board reports on a timely manner prior to the Board meeting to enable the Directors to obtain further explanations, where necessary. These reports provide information on the Group's performance and major operational, financial and corporate issues. Monthly reports on the financial performance of the Group are also circulated to the Directors. Minutes of the Board Committees are tabled at the Board meetings for the Board's information and deliberation.

Directors have independent access to the advice and services of the Company Secretary whose terms of appointment permit removal and appointment only by the Board as a whole. The Board may seek advice from Management on issues pertaining to the business and operations of the Group. The Board may seek independent professional advice at the Company's expense in discharging its various duties.

## Re-election of Directors

In accordance with Article 111 of the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment. Article 105 further provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting. Directors over seventy years of age are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act, 1965.

## Board Appointments and Commitments

Appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation by the Nominating Committee. The Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company. All new appointees will be considered and

evaluated by the Nominating Committee for the candidates' ability in terms of their skills, knowledge, experience, expertise and integrity to discharge responsibilities as expected of them. In the case of a candidate for Independent Non-Executive Director, the Nominating Committee also evaluates the candidate's ability to discharge such responsibility or functions as expected of an Independent Non-Executive Director. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board, performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company.

The Directors are aware of the time commitment expected from each of them including attendance at Board, Board Committee and other types of meetings.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed. The Company has adopted an induction programme for newly appointed Directors. The induction programme aims at communicating to the newly appointed Directors, the Company's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and the expectations of the Company concerning input from Directors. The Chairman is primarily responsible for the induction programme with appropriate assistance from other senior Executive Directors.

## Directors' Training

The Company has adopted educational/training programmes to update the Board in relation to new developments pertaining to the laws and regulations and changing commercial risks which may affect the Board and/or the Company.

All Board members are encouraged to attend training programmes conducted by highly competent professionals that are relevant to the Company's operations and businesses. They continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with the MMLR.

## STATEMENT ON CORPORATE GOVERNANCE

All the Directors have attended trainings during the year, details as set out below:

Director	Course Title and Organiser	Date
Gen Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	<ul style="list-style-type: none"> <li>Maximising Board Effectiveness Through A Strong Board Risk Oversight Role Beyond Financial Performance (Bursatra Sdn Bhd)</li> </ul>	2 October 2015
	<ul style="list-style-type: none"> <li>Half day talk on:               <ul style="list-style-type: none"> <li>- Budget 2016</li> <li>- MFRS 9</li> <li>- Anti Money Laundering</li> <li>- Cybercriminals In The Financial Services Sector (Affin Holdings Berhad &amp; PriceWaterhouseCoopers)</li> </ul> </li> </ul>	3 December 2015
Tan Sri Dato' Seri Lodin Wok Kamaruddin	<ul style="list-style-type: none"> <li>Affin Hwang Capital Conference Series 2015 : Navigating Through Turbulent Times (Affin Hwang Investment Bank Berhad)</li> </ul>	10 February 2015
	<ul style="list-style-type: none"> <li>2nd Distinguished Board Leadership Series - Board's Strategic Leadership Innovation &amp; Growth In Uncertain Times (ICLIF)</li> </ul>	21 May 2015
	<ul style="list-style-type: none"> <li>The World Capital Markets Symposium (WCMS) 2015 - Markets And Technology: Driving Future Growth Through Innovation (Securities Commission Malaysia)</li> </ul>	3 September 2015
	<ul style="list-style-type: none"> <li>Capital Market Directors Training Programme (CDMP) 2015 - Module 2A: Business Challenges And Regulatory Expectations</li> </ul>	29 September 2015
	<ul style="list-style-type: none"> <li>Capital Market Directors Training Programme (CDMP) 2015 - Module 4: Current And Emerging Regulatory Issues In The Capital Market (SIDC)</li> </ul>	2 October 2015
	<ul style="list-style-type: none"> <li>Capital Market Directors Training Programme (CDMP) 2015 - Module 1: Directors As Gatekeepers Of Market Participants (SIDC)</li> </ul>	5 October 2015
	<ul style="list-style-type: none"> <li>Capital Market Directors Training Programme (CDMP) 2015 - Module 2B: Business Challenges And Regulatory Expectations (SIDC)</li> </ul>	7 October 2015
	<ul style="list-style-type: none"> <li>Capital Market Director's Training Programme (CDMP) 2015 - Module 3: Risk Oversight &amp; Compliance - Action Plan For Board Of Directors</li> </ul>	20 October 2015
	<ul style="list-style-type: none"> <li>Half Day Talk On:               <ul style="list-style-type: none"> <li>- Economy And Financial Market Post Global Financial Crisis;</li> <li>- Economic Outlook, Issues and Prospects; and</li> <li>- Addressing Concerns on TPPA.</li> </ul>               (Affin Holdings Berhad)             </li> </ul>	11 November 2015



Director	Course Title and Organiser	Date
Tan Sri Dato' Seri Lodin Wok Kamaruddin (continued)	<ul style="list-style-type: none"> <li>Half day talk on:               <ul style="list-style-type: none"> <li>- Budget 2016</li> <li>- MFRS 9</li> <li>- Anti Money Laundering</li> <li>- Cybercriminals in the financial services sector (Affin Holdings Berhad &amp; PriceWaterhouseCoopers)</li> </ul> </li> </ul>	3 December 2015
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	<ul style="list-style-type: none"> <li>Maximising Board Effectiveness Through A Strong Board Risk Oversight Role Beyond Financial Performance (Bursatra Sdn Bhd)</li> </ul>	2 October 2015
	<ul style="list-style-type: none"> <li>Half day talk on:               <ul style="list-style-type: none"> <li>- Budget 2016</li> <li>- MFRS 9</li> <li>- Anti Money Laundering</li> <li>- Cybercriminals in the financial services sector (Affin Holdings Berhad and PriceWaterhouseCoopers)</li> </ul> </li> </ul>	3 December 2015
Datuk Azzat Kamaludin	<ul style="list-style-type: none"> <li>Axiata Board Strategy Programme on Digital Industry (Axiata Group Berhad)</li> </ul>	2 & 3 June 2015
	<ul style="list-style-type: none"> <li>Bursa Malaysia Board Chairman Series Part 2 Leadership Excellence From The Chair (Bursa Malaysia)</li> </ul>	3 September 2015
	<ul style="list-style-type: none"> <li>Khazanah Megatrends Forum 2015 (Khazanah Nasional)</li> </ul>	5 October 2015
	<ul style="list-style-type: none"> <li>Workshop For Audit Committee Members (PriceWaterhouseCoopers)</li> </ul>	12 October 2015
	<ul style="list-style-type: none"> <li>TowerXchange Meetup Asia 2015 (TowerXchange)</li> </ul>	24 November 2015
Dato' Ghazali Mohd Ali	<ul style="list-style-type: none"> <li>Seminar On Current Trends In Shareholders Activism and Predicting Financial Crime And Fraud-Detection, Prevention And Remediation (PNB)</li> </ul>	31 March 2015
	<ul style="list-style-type: none"> <li>Compliance And The Law (Risk Based Approach) On Money Laundering And Its Impact On Investment Companies (PNB)</li> </ul>	1 June 2015
	<ul style="list-style-type: none"> <li>7th Iskandar Malaysia CEO Forum (Khazanah Nasional)</li> </ul>	29 July 2015
	<ul style="list-style-type: none"> <li>GLC Open Day 2015 By Khazanah At KLCC. (Khazanah Nasional)</li> </ul>	8 August 2015
	<ul style="list-style-type: none"> <li>KLIA Aeropolis Vision Workshop (Khazanah Nasional)</li> </ul>	10 August 2015
	<ul style="list-style-type: none"> <li>Khazanah Megatrends Forum 2015 (Khazanah Nasional)</li> </ul>	5 & 6 October 2015
	<ul style="list-style-type: none"> <li>The Malaysian Quarterly Property Market Report Subscribers' Forum (Jones Lang Wootton)</li> </ul>	18 November 2015
	<ul style="list-style-type: none"> <li>The Shaking Foundations of Finance (PNB)</li> </ul>	23 November 2015

## STATEMENT ON CORPORATE GOVERNANCE

Director	Course Title and Organiser	Date
Datuk Francis Tan Leh Kiah	• Financial Institutions Directors Education Programme (ICLIF)	28 September – 1 October 2015 & 19 – 21 October 2015
	• Adapting To Change – Building Towards Sustainable Growth (BDO Malaysia)	5 November 2015
	• 2016 Budget Seminar (Chartered Tax Institute of Malaysia)	3 November 2015

**Directors' Remuneration**

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved. The level of remuneration for the GMD and Executive Director is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. A review of the Executive Directors' remuneration is undertaken no less frequently than once every three years.

The details on the aggregate remuneration of Directors for the financial year ended 31 December 2015 for the Company and its Subsidiaries are as follows:

	Non-Executive Directors RM'000	Executive Directors RM'000	Total RM'000
Directors' fees	795	418	1,213
Meeting allowances	122	27	149
Salaries	–	2,719	2,719
Bonuses	–	1,844	1,844
Employees provident fund contribution	–	688	688
Benefits in kind & allowances	70	655	725
Total	987	6,351	7,338

Remuneration paid to Directors of the Company during the year analysed into bands of RM50,000, which complies with the disclosure requirements under the MMLR is as follows:

	Non-Executive Directors	Executive Directors
Up to RM100,001 to RM150,000	1	
From RM150,001 to RM200,000	1	
From RM200,001 to RM250,000	1	
From RM450,001 to RM500,000	1	
From RM2,000,001 to RM2,050,000		1
From RM4,300,000 to RM4,350,000		1

### Company Secretary

The Company Secretary is qualified to act pursuant to Section 139A of the Companies Act, 1965, and keeps abreast of the regulatory changes and development in Corporate Governance through continuous training. The Company Secretary attends all Board meetings and advises the Board on regulatory procedures, the requirement of the Company's Memorandum and Articles of Association, the Companies Act, 1965 and the MMLR.

The Company Secretary ensures that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. The Board is updated by the Company Secretary on the follow-up of its decisions and recommendations by the Management. The Company Secretary also ensures that there is good information flow within the Board and between the Board, Board Committees and Senior Management.

### BOARD COMMITTEES

The Board has established the following Committees to assist the Board in the execution of its duties:

- Audit Committee
- Nominating Committee
- Remuneration Committee

Independent Non-Executive Directors play a leading role in Board Committees. The Management and third parties are co-opted to the Committees as and when required.

The Board Charter outlines the functions, duties and responsibilities of the above Board Committees, in line with the Board's objective in pursuing good governance practice.



## STATEMENT ON CORPORATE GOVERNANCE

**Audit Committee**

The Company has an Audit Committee whose composition meets the MMLR, where Independent Directors form the majority. All members of the Audit Committee are financially literate, while the Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants. The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with external auditors.

The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee. The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report in this annual report.

**Nominating Committee**

The Nominating Committee comprises entirely Non-Executive Directors, a majority of whom are independent and is chaired by an Independent Director. The composition of the Nominating Committee is as follows:

Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad (Chairman)  
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)  
Datuk Azzat Kamaludin

The Nominating Committee is responsible for proposing new nominees to the Board and Board Committees, for assessing on an annual basis, the contribution of each individual Director and the overall effectiveness of the Board. The final decision as to who shall be appointed as Director remains the responsibility of the full Board, after considering the recommendation of the Nominating Committee.

The Terms of Reference of the Nominating Committee include:

- To assess and recommend to the Board candidates for directorship on the Board of the Company as well as membership of the Board Committees.
- To review and assess annually the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and the adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors.
- To establish the mechanism for the formal assessment of the effectiveness of individual Director, and to annually appraise the performance of the Executive Directors including the GMD based on objective performance criteria as approved by the Board.
- To recommend to the Board with regard to plans for succession for Directors and Senior Management.

The Nominating Committee met twice during the year during which it recommended to the Board amongst others, the re-election of Directors who retired at the 2015 Annual General Meeting and the contract renewal of certain members of Senior Management.

**Remuneration Committee**

The Remuneration Committee consists of the following Directors, a majority of whom are Non-Executive Directors:

Datuk Azzat Kamaludin (Chairman)  
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)  
Tan Sri Dato' Seri Lodin Wok Kamaruddin  
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the GMD, Executive Director and Senior Management on an annual basis and makes recommendations to the Board. The Board as a whole determines the remuneration of the GMD and the Executive Director with each individual Director abstaining from decisions in respect of his own remuneration.

In establishing the level of remuneration for the GMD, Executive Director and Senior Management, the Remuneration Committee has regard to packages offered by comparable companies, and may obtain independent advice.

The remuneration of the GMD and the Executive Director comprises a fixed salary and allowances, and a bonus approved by the Board which is linked to the Group's performance. The remuneration for Non-Executive Directors comprises annual fees, meeting allowance of between RM1,000 to RM2,000 each for every meeting that they attend, and reimbursement of expenses for their services in connection with Board and Board Committee meetings.

The Terms of Reference of the Remuneration Committee include:

- To review annually and make recommendations to the Board the remuneration packages, reward structure and fringe benefits applicable to all Executive Directors and Senior Management to ensure that the rewards commensurate with their contributions to the Group's growth and profitability.
- To establish, review and recommend to the Board the remuneration packages of each individual Executive Director.
- To ensure that the level of remuneration of the Non-Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

- To keep abreast of the terms and conditions of service of the GMD, the Executive Director and key Senior Management including their total remuneration packages for market comparability; and to review and recommend to the Board changes whenever necessary.
- To keep abreast of the remuneration packages of the Non-Executive Directors to ensure that they commensurate with the scope of responsibilities held and to review and recommend to the Board changes whenever necessary.

The Remuneration Committee met twice during the year and recommended to the Board on salary increment and bonus of key Senior Management and the salary increment rate for the Group. The Committee also recommended on the proposed increase in Non-Executive Directors' fees for shareholders' consideration at the 2015 Annual General Meeting.

## ACCOUNTABILITY AND AUDIT

The Board has established an Audit Committee to review the integrity of financial reporting and to oversee the independence of external auditors.

### Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. Before the financial statements are drawn up, the Directors have taken the necessary steps to ensure all the applicable accounting policies are applied consistently, and that the policies are supported by reasonable and prudent judgement and estimates. All accounting standards, which the Board considers to be applicable, have been followed. The role of the Audit Committee in the review and reporting of the financial information of the Group is outlined in the Audit Committee Report in this annual report.

## STATEMENT ON CORPORATE GOVERNANCE

**Related Party Transactions**

The Group has an internal framework and policy for Related Party Transactions (RPT) to ensure that all transactions with related parties are entered at arm's length, on normal commercial terms and on terms that are not detrimental to the minority shareholders. Directors recognise that they have to declare their respective interests in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. All related party transactions are reviewed as part of the annual internal audit plan, and the Audit Committee reviews any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that causes questions of Management integrity to arise. The Company had obtained its shareholders' mandate for recurrent RPTs of a revenue or trading nature at the annual general meeting. Details of related party transactions are set out in Note 43 to the annual financial statements.

**Internal Control**

The Board acknowledges its responsibilities for the Group's systems of internal control covering not only financial controls but also operational controls, compliance controls and risk management.

The information on the Group's internal control is presented in the Statement on Risk Management and Internal Control in this annual report.

**Relationship and Assessment of External Auditors**

The Board is aware of the potential conflict of interest situation in the event the external auditors are also providing non-audit services to the Group. In this regards, the Board has established transparent and appropriate relationship with the external auditors through the Audit Committee. The Audit Committee has also received the annual confirmation of the external auditors' independence in accordance with

the relevant professional and regulatory requirements. The Audit Committee believes that auditors' performance has been satisfactory and supports the resolution for their reappointment at the forthcoming annual general meeting. The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report in the annual report.

**RECOGNISE AND MANAGE RISKS****Sound Framework to Manage Material Business Risks**

The Company has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy. As required by the Board, the Management has devised and implemented appropriate risk management systems and reports to the Board and Senior Management. Management is charged with monitoring the effectiveness of risk management systems and is required to report to the Board via the Risk Management Committee. The Group maintains detailed risk registers which are reviewed and updated on quarterly basis. Key focus areas of risks are reported and deliberated at the Audit Committee meetings. The Board has received, and will continue to receive periodic reports through the Risk Management Committee, summarising the results of risk management issues and initiatives at the Group.

**Internal Audit Function**

The Group has an internal audit function that is independent of the Company's activities and operations. The Head of Group Internal Audit reports directly to the Audit Committee who reviews and approves the internal audit department's annual audit plan, financial budget and human resource requirements to ensure that the department is adequately resourced with competent and proficient internal auditors.



Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control of this annual report.

### Whistle-Blowing

The Group is committed in preserving and protecting its interests and reputation at all times. In line with this commitment, the Group expects the highest standards of integrity and accountability from all employees. Any acts of wrongdoing on the part of the employee are viewed seriously and as such, disciplinary and/or remedial action as appropriate shall be taken. With that respect, the whistle-blowing policy has established a means of deterring wrongdoing and promoting transparency and good governance. The policy also provides guidelines for the reporting and investigation of any acts of wrongdoing.

The Board and Management give their assurance that employees or third parties can raise serious concerns within the Group without fear of victimisation, subsequent discrimination or disadvantage provided that they are done in good faith. Dedicated channels for reporting have been set up which among others, include a written letter with the required information to identified key management as stipulated in the policy or email to [alert@boustead.com.my](mailto:alert@boustead.com.my). All concerns raised will be reviewed and deliberated by the Investigation Committee comprising Heads of Group Human Capital, Legal and Internal Audit. A report and updates on the fraud cases are provided to the Audit Committee on a quarterly basis.

### TIMELY DISCLOSURE AND INVESTOR RELATIONS

The Company is fully committed in maintaining a high standard for the dissemination of relevant and material information on the development of the Group. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders. The Company uses a number of formal channels for effective dissemination of information to the shareholders and stakeholders

particularly through the annual report, announcements to Bursa Malaysia, media releases, quarterly results analyst briefings, company websites and investor relations.

The annual report has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investors with financial information. Apart from the mandatory public announcements through Bursa Malaysia, the Group's website at [www.boustead.com.my](http://www.boustead.com.my) provides corporate, financial and non-financial information. Through the website, shareholders are able to direct queries to the Company. The Group's investor relations activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby enabling investors to make informed decisions in valuing the Company's shares.

The Deputy Chairman/Group Managing Director and the Senior Management meet regularly with analysts, institutional shareholders and investors. The Share Registrar is available to attend to matters relating to shareholder interests. The primary contact for investor relations matters is:

**Encik Fahmy bin Ismail**  
**General Manager, Corporate Planning**  
**Telephone Number: 03-20317749**  
**Email: [fahmy.cpd@boustead.com.my](mailto:fahmy.cpd@boustead.com.my)**

Encik Fahmy graduated with a Bachelor of Commerce in Accounting and Finance from University of Sydney, Australia in 1998. He is a Chartered Accountant under Malaysian Institute of Accountants and is also a Certified Practicing Accountant under CPA Australia. He joined Boustead Holdings Berhad in January 2006 as its Corporate Planning Manager. He subsequently advanced to General Manager, Corporate Planning. Prior to joining Boustead, he had held managerial positions in corporate finance and treasury with several public listed companies.

## STATEMENT ON CORPORATE GOVERNANCE

**EFFECTIVE COMMUNICATION AND  
ENGAGEMENT WITH SHAREHOLDERS**

The Company is of the view that the Annual General Meeting and other general meetings are important opportunities for meeting shareholders and addressing their concerns. The Company dispatches the notice of AGM to shareholders 21 days before the AGM, which is in compliance with the requirement under the Companies Act 1965 and MMLR. At the AGM, the GMD gives a presentation of the Group's annual operating and financial performance, followed by a Questions and Answers session during which the Chairman encourages shareholders' active participation, including clarifying and questioning the Company's strategic direction, business operations, performance and proposed resolutions. Senior Management of the Group are also present to handle other face-to-face enquires from the shareholders.

Each shareholder can vote in person or by appointing a proxy to attend and vote on his/her behalf. Separate issues are tabled in separate resolutions at general meetings, voting is carried out systematically and resolutions are properly recorded.

**COMPLIANCE STATEMENT**

This statement on the corporate governance practices is made in compliance with Paragraphs 15.25 and 15.08A of the MMLR and in accordance with a resolution of the Board of Directors dated 1 March 2016.

# DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended. In preparing these financial statements, the Directors have:

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

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enables them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

**This statement is made in accordance with a resolution of the Board of Directors dated 1 March 2016.**



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

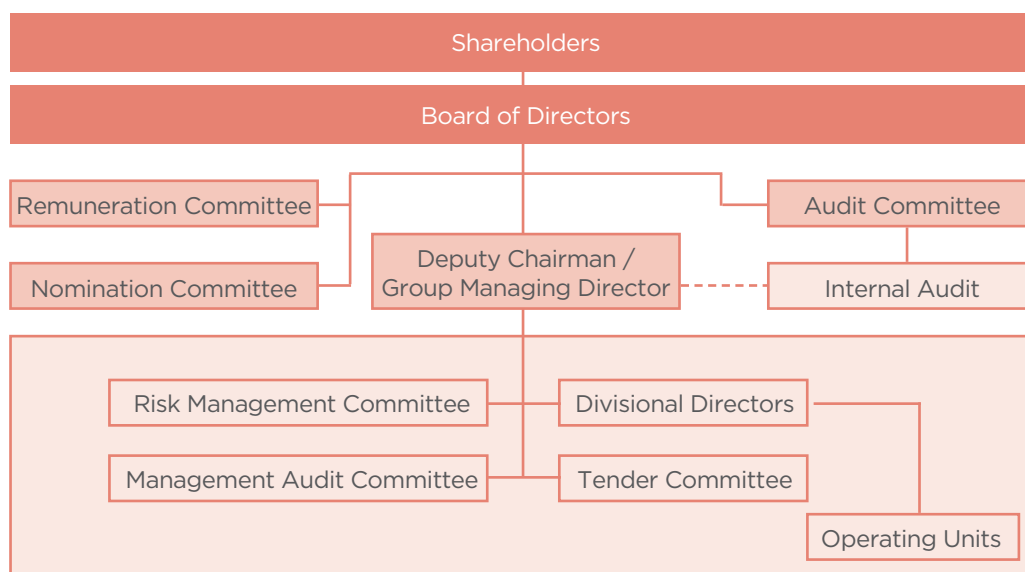
## BOARD RESPONSIBILITY

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, due to the limitations that are inherent in any system of internal control, the Group's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

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

representation report to the Group in the event that these associates or joint ventures do not appropriately manage significant risks.

Except for insurable risks where insurance covers are purchased, other significant risks faced by the Group (excluding associates and joint ventures) are reported to, and managed by the respective boards within the Group. The internal control system of the Group is supported by an appropriate organisation structure with clear reporting lines, defined lines of responsibilities and authorities from respective business units up to the Board level as follows:



## RISK MANAGEMENT

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

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

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

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

- formalisation of risk management policy and procedures and adopted a structured and systematic risk assessment, monitoring and reporting framework;

- appointment of dedicated risk officer to coordinate the ERM activities within the Group, to supervise the ERM policy implementation and documentation at Group level and to act as the central contact and guide for ERM issues within the Group;
- heightened risk awareness culture in the business processes through risk owners' accountability and sign-off for action plans and continuous monitoring;
- compilation of the business units' risk profiles in relation to the Group risk parameters, the top risks from each business segment and reported to the Risk Management Committee for review, deliberation and approval;
- fostered a culture of continuous improvement in risk management through risk review meetings; and provided a system to manage the central accumulation of risk profiles data with risk significance rating for the profiles as a tool for prioritising risk action plans.

Consequently, the Group has in place the necessary risk infrastructure encompassing the risk assessment process, organisational oversight and reporting function to instil the appropriate discipline and control around continuously improving risk management capabilities. Risk assessment, monitoring and review of the various risks faced by the Group are a continuous process within the key operating units with the RMC playing a pivotal oversight function. The RMC convenes on a half yearly basis to review the key risk profiles and submit a summary reporting to the Audit Committee.

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.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**KEY ELEMENTS OF INTERNAL CONTROL**

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

- Clear organisation structure with defined reporting lines. There is a defined organisational structure within the Group with each division having clearly defined roles and responsibilities, levels of authority and lines of accountability.
- Each operating unit is responsible for the conduct and performance of business units, including the identification and evaluation of significant risks applicable to their respective business areas, the design and operation of suitable internal control and in ensuring that an effective system of internal control is in place.
- Defined level of authorities and lines of responsibilities from operating units up to the Board level to ensure accountabilities for risk management and control activities.
- The Group has various support functions comprising secretarial, legal, human capital, finance, treasury and IT which are centralised.
- The Board is supported by a qualified 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 1965 and other relevant laws and regulations.
- Risk Management Committee chaired by the Deputy Chairman/Group Managing Director sits regularly to review and recommend the risk management policies, strategies, major risks review and risk mitigation actions for the Company as well as reporting to the Audit Committee and Board on a periodic basis.
- Training and development programmes are established to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.
- Code of ethics are established and adopted for the Board and all employees to ensure high standards of conduct and ethical values in all business practices.
- Whistle blowing policy to provide an avenue for employees to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines in a safe and confidential manner.
- Regular Board and Management meetings to assess the Group's performance and controls.
- The internal audit function provides assurance of the effectiveness of the system of internal control within the Group. Regular internal audit visits to review the effectiveness of the control procedures and ensure accurate and timely financial management reporting. Internal audit efforts are directed towards areas with significant risks as identified by Management, and the risk management process is being audited to provide assurance on the management of risks.
- Review of internal audit reports and follow-up on findings by the Management Audit Committee. The internal audit reports are deliberated by the Audit Committee, and are subsequently presented to the Board on a quarterly basis or earlier, as appropriate.
- Review and award of major contracts by the Tender Committee. A minimum of three quotations is called for and tenders are awarded based on criteria such as quality, track record and speed of delivery.
- Tender Committee comprising members of Senior Management which ensures transparency in the award of contracts.
- Clearly documented standard operating procedure manuals set out the policies and procedures for day to day operations to be carried out. Regular reviews are performed to ensure that documentation remains current, relevant and aligned with evolving business and operational needs.



- Consolidated monthly management accounts and quarterly forecast performance which allow Management to focus on areas of concern.
- Strategic planning, target setting and detailed budgeting process for each area of business which are approved both at the operating level and by the Board.
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- Regular visits to the operating units by members of the Board and Senior Management.
- The Boustead Core Values Initiative aligns all business units' initiatives towards a Group wide common goal.
- Group Legal & Compliance department reports to the Deputy Chairman/Managing Director and monitors compliance with the applicable laws, rules, regulations and policies that governs the Group's core business. The function plays a key role in advising the Board and Management on legal matters and thereby preserving as well as safeguarding the Group's interest from a legal perspective.

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

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

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

The monitoring, review and reporting arrangements in place provide reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error, deliberate circumvention of control procedures by employees and others, or the occurrence of unforeseeable circumstances. The Board believes that the development of the system of internal control is an ongoing process and has taken proactive steps throughout the year to improve its internal control system and will continue to undertake such steps. The Board is of the view that the system of internal control in place for the year under review is sound and sufficient to safeguard shareholders' investments, stakeholders' interests and the Group's assets.

## **WEAKNESSES IN INTERNAL CONTROL THAT RESULT IN MATERIAL LOSSES**

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

## **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

As required by paragraph 15.23 of Bursa Securities' Main Market Listing Requirements, 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.

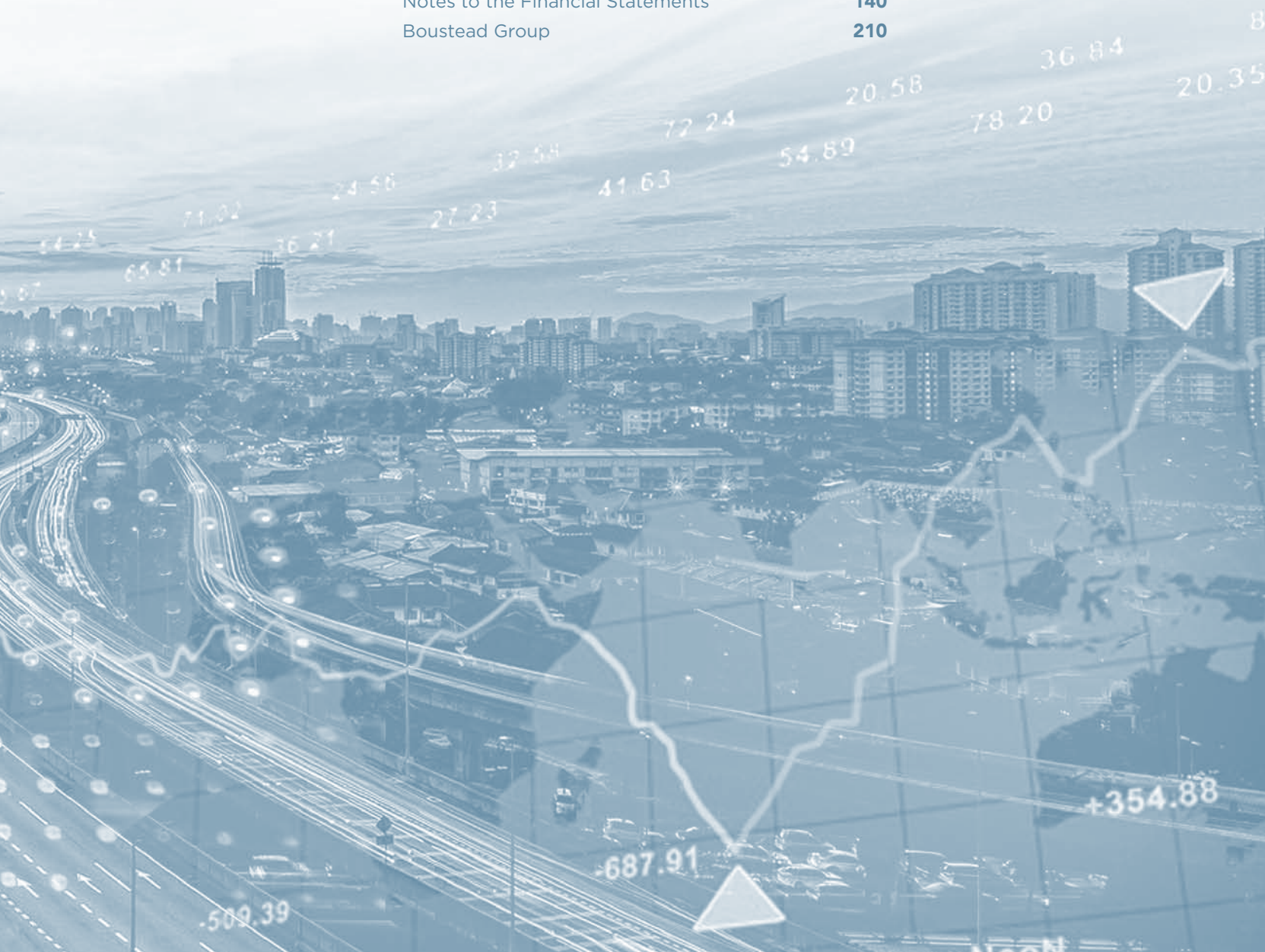
**This statement is made in accordance with a resolution of the Board of Directors dated 1 March 2016.**

# FINANCIAL STATEMENTS





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# DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## 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 210 to 215.

There have been no significant changes in the nature of these activities during the financial year under review.

## RESULTS

	Group RM Million	Company RM Million
Profit for the year attributable to:		
Shareholders of the Company	13.2	120.1
Holders of Perpetual Sukuk	72.6	72.6
Non-controlling interests	53.6	–
	139.4	192.7

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 the effects arising from the gain on disposal of plantation land of RM57.1 million and fair value gain on investment properties of RM83.1 million for the Group and impairment loss on amount due from Subsidiaries of RM31.5 million for the Company respectively.

## DIVIDENDS

During the financial year under review, the Company paid the fourth interim dividend of 5 sen per share totalling RM51.7 million in respect of the financial year ended 31 December 2014 as declared in the Directors' report of that year.

The Directors have declared the following dividends in respect of the financial year ended 31 December 2015:

	Net dividend Sen per share	RM Million	Date Declared	Date of Payment
First interim dividend	5.0	51.7	25 May 2015	30 June 2015
Second interim dividend	5.0	51.7	24 August 2015	30 September 2015
Third interim dividend	6.0	62.0	30 November 2015	12 January 2016
Fourth interim dividend	4.0	41.4	29 February 2016	12 April 2016
	20.0	206.8		

## DIRECTORS

The Directors of the Company in office since the date of the last report are:

Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)  
Tan Sri Dato' Seri Lodin Wok Kamaruddin  
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad  
Datuk Azzat Kamaludin  
Dato' Ghazali Mohd Ali  
Datuk Francis Tan Leh Kiah

## 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 as shown in Note 6 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 43 to the financial statements.

## DIRECTORS' REPORT

## DIRECTORS' INTERESTS

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

	At 1/1/15	Acquired	Sold	At 31/12/15
<i>Ordinary shares of RM0.50 each</i>				
<b>Boustead Holdings Berhad</b>				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	28,192,758	–	–	28,192,758
Datuk Azzat Kamaludin	44,000	–	–	44,000
<b>Pharmaniaga Berhad</b>				
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	220,000	–	–	220,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin	12,500,148	–	–	12,500,148
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	121,000	–	–	121,000
Datuk Azzat Kamaludin	226,260	–	–	226,260
Dato' Ghazali Mohd Ali	143,000	–	–	143,000
<b>Boustead Plantations Berhad</b>				
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	1,560,000	–	–	1,560,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin	31,381,600	–	–	31,381,600
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	1,590,000	–	–	1,590,000
Datuk Azzat Kamaludin	1,508,800	41,200	–	1,550,000
Dato' Ghazali Mohd Ali	1,234,000	–	–	1,234,000
Datuk Francis Tan Leh Kiah	1,260,000	–	–	1,260,000
<i>Ordinary shares of RM1.00 each</i>				
<b>Boustead Heavy Industries Corporation Berhad</b>				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	–	–	2,000,000
Datuk Azzat Kamaludin	350,000	–	–	350,000
Dato' Ghazali Mohd Ali	75,000	–	–	75,000
<b>Boustead Petroleum Sdn Bhd</b>				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	–	–	5,916,465
<b>Affin Holdings Berhad</b>				
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	119,220	–	–	119,220
Tan Sri Dato' Seri Lodin Wok Kamaruddin	1,051,328	–	–	1,051,328
Datuk Azzat Kamaludin	143,000	–	143,000	–
Datuk Francis Tan Leh Kiah	30,000	20,000	–	50,000

## OTHER STATUTORY INFORMATION

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



## DIRECTORS' REPORT

**SIGNIFICANT AND SUBSEQUENT EVENTS**

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

**AUDITORS**

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

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

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

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

Kuala Lumpur  
1 March 2016

# STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) and Tan Sri Dato' Seri Lodin Wok Kamaruddin, being two of the Directors of BOUSTEAD HOLDINGS BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 114 to 208 and pages 210 to 215 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 46 on page 209 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and presented based on format prescribed by Bursa Malaysia Securities Berhad.

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

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

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

Kuala Lumpur  
1 March 2016

## STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, DANIEL EBINESAN, 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 114 to 215 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 1 March 2016

Before me

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

**DANIEL EBINESAN**

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BOUSTEAD HOLDINGS BERHAD

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Boustead Holdings Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 114 to 208 and pages 210 to 215.

### Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its Subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the Subsidiaries of which we have not acted as auditors, which are indicated on pages 210 to 214, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the Subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the Subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 46 on page 209 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**ERNST & YOUNG**  
AF: 0039  
Chartered Accountants

**AHMAD ZAHIRUDIN BIN ABDUL RAHIM**  
No. 2607/12/16(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
1 March 2016



# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Revenue</b>	5	<b>8,662.5</b>	10,608.2	<b>313.1</b>	229.3
Operating cost	6	<b>(8,349.7)</b>	(9,975.1)	<b>(68.7)</b>	(30.2)
Results from operations		<b>312.8</b>	633.1	<b>244.4</b>	199.1
Gain on disposal of plantation land		<b>57.1</b>	—	<b>—</b>	—
Interest income	7	<b>31.6</b>	29.1	<b>66.9</b>	53.8
Other investment results	8	<b>73.4</b>	96.1	<b>12.3</b>	124.9
Finance cost	9	<b>(290.5)</b>	(289.0)	<b>(124.3)</b>	(110.3)
Share of results of associates		<b>66.2</b>	113.3	<b>—</b>	—
Share of results of joint ventures		<b>18.6</b>	103.1	<b>—</b>	—
<b>Profit before taxation</b>		<b>269.2</b>	685.7	<b>199.3</b>	267.5
Income tax expense	10	<b>(129.8)</b>	(152.4)	<b>(6.6)</b>	(6.0)
<b>Profit for the year</b>		<b>139.4</b>	533.3	<b>192.7</b>	261.5
Attributable to:					
Shareholders of the Company		<b>13.2</b>	408.2	<b>120.1</b>	207.0
Holders of Perpetual Sukuk		<b>72.6</b>	54.5	<b>72.6</b>	54.5
Non-controlling interests		<b>53.6</b>	70.6	<b>—</b>	—
<b>Profit for the year</b>		<b>139.4</b>	533.3	<b>192.7</b>	261.5
<b>Earnings per share – sen</b>					
<b>Basic/diluted</b>	11	<b>1.28</b>	39.47		

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Profit for the year</b>	<b>139.4</b>	533.3	<b>192.7</b>	261.5
Other comprehensive income/(loss):				
<i>Items that might be reclassified to profit or loss</i>				
Net gain/(loss) on available for sale investments				
– Fair value changes	<b>(4.9)</b>	(4.6)	<b>(0.4)</b>	(0.6)
– Transfer from profit or loss	<b>3.7</b>	1.3	–	–
Foreign currency translation	<b>13.6</b>	3.9	–	–
Share of other comprehensive income of investments accounted for using equity method	<b>4.3</b>	4.7	–	–
<b>Total comprehensive income for the year</b>	<b>156.1</b>	538.6	<b>192.3</b>	260.9
Attributable to:				
Shareholders of the Company	<b>21.3</b>	411.2	<b>119.7</b>	206.4
Holders of Perpetual Sukuk	<b>72.6</b>	54.5	<b>72.6</b>	54.5
Non-controlling interests	<b>62.2</b>	72.9	–	–
<b>Total comprehensive income for the year</b>	<b>156.1</b>	538.6	<b>192.3</b>	260.9

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	5,035.0	5,003.3	2.5	2.4
Biological assets	14	1,261.4	1,261.2	–	–
Investment properties	15	1,543.8	1,534.2	100.8	87.9
Development properties	16	638.9	501.5	–	–
Prepaid land lease payments	17	61.6	62.6	–	–
Long term prepayments	18	170.3	153.7	–	–
Deferred tax assets	19	50.1	53.3	–	–
Subsidiaries	20	–	–	2,967.4	2,948.4
Associates	21	1,843.5	1,789.6	939.4	939.4
Joint ventures	22	621.1	363.0	250.0	–
Investments	23	33.1	38.3	5.2	5.7
Intangible assets	24	1,406.3	1,376.3	–	–
<b>Total non-current assets</b>		<b>12,665.1</b>	<b>12,137.0</b>	<b>4,265.3</b>	<b>3,983.8</b>
<b>Current assets</b>					
Inventories	25	812.8	689.8	–	–
Property development in progress	26	99.1	163.7	–	–
Due from customers on contracts	27	1,216.1	1,312.8	–	–
Receivables	28	1,382.6	1,219.1	1,094.2	1,162.4
Deposits, cash and bank balances	29	1,338.1	1,157.9	65.9	5.9
		<b>4,848.7</b>	<b>4,543.3</b>	<b>1,160.1</b>	<b>1,168.3</b>
Assets classified as held for sale	30	105.8	–	–	–
<b>Total current assets</b>		<b>4,954.5</b>	<b>4,543.3</b>	<b>1,160.1</b>	<b>1,168.3</b>
<b>Total assets</b>		<b>17,619.6</b>	<b>16,680.3</b>	<b>5,425.4</b>	<b>5,152.1</b>

		Group		Company	
	Note	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to shareholders of the Company</b>					
Share capital	31	517.1	517.1	517.1	517.1
Perpetual Sukuk	32	1,207.7	1,140.7	1,207.7	1,140.7
Reserves	33	4,025.5	4,222.0	1,210.4	1,308.5
<b>Shareholders' equity</b>		<b>5,750.3</b>	5,879.8	<b>2,935.2</b>	2,966.3
Non-controlling interests		1,607.5	1,693.5	–	–
<b>Total equity</b>		<b>7,357.8</b>	7,573.3	<b>2,935.2</b>	2,966.3
<b>Non-current liabilities</b>					
Borrowings	34	2,175.6	2,196.0	513.7	409.0
Payables	35	31.4	26.7	–	–
Deferred tax liabilities	19	105.7	90.3	2.3	1.5
<b>Total non-current liabilities</b>		<b>2,312.7</b>	2,313.0	<b>516.0</b>	410.5
<b>Current liabilities</b>					
Borrowings	34	5,858.3	4,884.7	1,842.0	1,657.9
Payables	35	1,893.5	1,812.8	70.2	117.4
Due to customers on contracts	27	116.0	70.4	–	–
Taxation		19.3	26.1	–	–
Dividend payable		62.0	–	62.0	–
<b>Total current liabilities</b>		<b>7,949.1</b>	6,794.0	<b>1,974.2</b>	1,775.3
<b>Total liabilities</b>		<b>10,261.8</b>	9,107.0	<b>2,490.2</b>	2,185.8
<b>Total equity and liabilities</b>		<b>17,619.6</b>	16,680.3	<b>5,425.4</b>	5,152.1

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



# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to shareholders of the Company				Non-controlling interests RM Million	Total equity RM Million
	Share capital RM Million	Perpetual Sukuk RM Million	Reserves RM Million	Total RM Million		
<b>Group</b>						
At 1 January 2014	517.1	678.6	4,037.9	5,233.6	691.6	5,925.2
Total comprehensive income for the year	–	54.5	411.2	465.7	72.9	538.6
<b>Transactions with owners</b>						
Changes in ownership interest in Subsidiaries						
- Partial disposal of a Subsidiary	–	–	10.1	10.1	148.6	158.7
- Issue of shares by Subsidiaries	–	–	62.3	62.3	850.3	912.6
- Acquisition of a Subsidiary	–	–	–	–	8.4	8.4
- Additional investment in a Subsidiary	–	–	(0.1)	(0.1)	0.1	–
Share of effect on changes in group structure of an associate	–	–	2.1	2.1	–	2.1
Perpetual Sukuk (Note 32)						
- Issuance	–	451.0	(2.3)	448.7	–	448.7
- Distribution	–	(47.8)	–	(47.8)	–	(47.8)
Transfer during the year	–	4.4	(4.4)	–	–	–
Dividends (Note 12)	–	–	(294.8)	(294.8)	(78.4)	(373.2)
At 31 December 2014 and 1 January 2015	<b>517.1</b>	<b>1,140.7</b>	<b>4,222.0</b>	<b>5,879.8</b>	<b>1,693.5</b>	<b>7,573.3</b>
Total comprehensive income for the year	–	<b>72.6</b>	<b>21.3</b>	<b>93.9</b>	<b>62.2</b>	<b>156.1</b>
<b>Transactions with owners</b>						
Perpetual Sukuk (Note 32)						
- Issuance	–	<b>66.0</b>	<b>(0.7)</b>	<b>65.3</b>	–	<b>65.3</b>
- Distribution	–	<b>(71.6)</b>	–	<b>(71.6)</b>	–	<b>(71.6)</b>
Dividends (Note 12)	–	–	<b>(217.1)</b>	<b>(217.1)</b>	<b>(148.2)</b>	<b>(365.3)</b>
At 31 December 2015	<b>517.1</b>	<b>1,207.7</b>	<b>4,025.5</b>	<b>5,750.3</b>	<b>1,607.5</b>	<b>7,357.8</b>

	Share capital RM Million	Perpetual Sukuk RM Million	Share premium RM Million	Fair value reserve RM Million	Retained earnings RM Million	Total equity RM Million
<b>Company</b>						
At 1 January 2014	517.1	678.6	1,165.1	2.3	236.2	2,599.3
Total comprehensive income for the year	–	54.5	–	(0.6)	207.0	260.9
<b>Transactions with owners</b>						
Perpetual Sukuk (Note 32)						
– Issuance	–	451.0	–	–	(2.3)	448.7
– Distribution	–	(47.8)	–	–	–	(47.8)
Transfer during the year	–	4.4	–	–	(4.4)	–
Dividends (Note 12)	–	–	–	–	(294.8)	(294.8)
At 31 December 2014 and 1 January 2015	<b>517.1</b>	<b>1,140.7</b>	<b>1,165.1</b>	<b>1.7</b>	<b>141.7</b>	<b>2,966.3</b>
Total comprehensive income for the year	–	<b>72.6</b>	–	<b>(0.4)</b>	<b>120.1</b>	<b>192.3</b>
<b>Transactions with owners</b>						
Perpetual Sukuk (Note 32)						
– Issuance	–	<b>66.0</b>	–	–	<b>(0.7)</b>	<b>65.3</b>
– Distribution	–	<b>(71.6)</b>	–	–	–	<b>(71.6)</b>
Dividends (Note 12)	–	–	–	–	<b>(217.1)</b>	<b>(217.1)</b>
At 31 December 2015	<b>517.1</b>	<b>1,207.7</b>	<b>1,165.1</b>	<b>1.3</b>	<b>44.0</b>	<b>2,935.2</b>

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

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Operating activities</b>				
Cash receipts from customers	8,842.6	11,098.8	7.2	7.1
Cash paid to suppliers and employees	(8,067.7)	(9,548.5)	(36.6)	(27.9)
Cash generated from/(used in) operations	774.9	1,550.3	(29.4)	(20.8)
Income taxes (paid)/refunded	(131.9)	(142.8)	8.7	(4.8)
Net cash from/(used in) operating activities	643.0	1,407.5	(20.7)	(25.6)
<b>Investing activities</b>				
Acquisition of Subsidiary (Note 45)	–	(69.2)	–	–
Acquisition of a joint venture	(250.0)	–	(250.0)	–
Additional investment in associate and joint venture	–	(448.6)	–	(288.0)
Settlement of consideration on acquisition of a Subsidiary	–	(611.1)	–	–
Partial disposal of a Subsidiary	–	158.7	–	158.7
Disposal of an associate	–	0.9	–	–
Investments purchased	–	(8.9)	(0.1)	(0.1)
Proceeds from disposal of investment property	33.7	–	–	–
Proceeds from disposal of investments	0.4	14.0	–	0.1
Biological assets and property, plant and equipment				
– Purchases	(321.9)	(665.1)	(0.7)	(0.6)
– Disposals	75.7	43.6	–	2.1
Purchase and development of investment properties and development properties	(232.6)	(365.2)	(0.6)	(1.1)
Purchase of intangible assets	(66.8)	(56.5)	–	–
Deposits received on disposal of plantation land	22.0	–	–	–
Dividends received	28.4	111.1	247.7	314.6
Interest received	31.6	29.1	66.7	53.8
Net cash (used in)/from investing activities	(679.5)	(1,867.2)	63.0	239.5

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Financing activities</b>				
Dividends paid				
- By the Company	(155.1)	(294.8)	(155.1)	(294.8)
- By Subsidiaries	(148.2)	(78.4)	-	-
Perpetual Sukuk				
- Issuance	65.3	448.7	65.3	448.7
- Distribution	(71.6)	(47.8)	(71.6)	(47.8)
Issue of shares by Subsidiaries to non-controlling interests				
- Initial public offering of a Subsidiary	-	907.0	-	-
- Others	-	0.3	-	-
Proceeds from long term loans	131.6	324.9	-	-
Repayment of long term loans	(326.0)	(1,023.8)	-	(85.5)
Increase of revolving credits and bankers' acceptances	1,086.7	1,136.0	275.0	700.0
Net receipts from/(payments to) Group companies	-	-	13.1	(824.2)
Interest paid	(395.1)	(393.7)	(121.7)	(110.1)
Net cash from/(used in) financing activities	187.6	978.4	5.0	(213.7)
Net increase in cash and cash equivalents	151.1	518.7	47.3	0.2
Foreign currency translation difference	1.2	(0.3)	-	-
Cash and cash equivalents at beginning of year	1,126.2	607.8	(9.3)	(9.5)
Cash and cash equivalents at end of year	1,278.5	1,126.2	38.0	(9.3)
<b>Cash and cash equivalents at end of year</b>				
Deposits, cash and bank balances (Note 29)	1,338.1	1,157.9	65.9	5.9
Overdrafts (Note 34)	(59.6)	(31.7)	(27.9)	(15.2)
	1,278.5	1,126.2	38.0	(9.3)

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



# ACCOUNTING POLICIES

## (A) BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

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

## (B) BASIS OF CONSOLIDATION

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

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

The Group controls an entity when it is exposed, or has rights, to variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing controls only when such rights are substantive. The Group also considers its de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

## ACCOUNTING POLICIES

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

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

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

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

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

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

**(D) FAIR VALUE MEASUREMENT**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

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

## **(D) FAIR VALUE MEASUREMENT (CONT'D.)**

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

## **(E) INTANGIBLE ASSETS**

### **(a) Goodwill**

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

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operation disposed off and the portion of the cash-generating unit retained.

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



## ACCOUNTING POLICIES

**(E) INTANGIBLE ASSETS (CONT'D.)****(b) Other intangible assets**

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

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

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

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

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

**(i) Concession right**

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

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

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

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

#### **(ii) Research and development**

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

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

#### **(iii) Rights to supply**

Expenses incurred in providing and supplying to the Government of Malaysia certain hardware and software, being part and parcel of the ordinary contractual obligations under the concession agreement, are capitalised and carried at cost less accumulated amortisation and any accumulated impairment losses. The expenses are amortised over the concession period of 10 years. The title of these hardware and software vests with the Government of Malaysia.

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

#### **(iv) Pharmacy manufacturing licence and trade name**

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 Indonesia and has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of pharmacy manufacturing licence over a period of 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. Amortisation is calculated using the straight line method to allocate the cost of trade name over a period of 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 ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is recognised in profit or loss.

## **(G) PROPERTY, PLANT AND EQUIPMENT**

All property, plant and equipment are initially recorded at cost. Certain land and buildings are subsequently shown at valuation less subsequent depreciation and impairment losses.

The Directors have not adopted a policy of regular valuation, and have applied the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment which permits those assets to be stated at their prevailing valuations less accumulated depreciation. The valuations were determined by independent professional valuers on the open market basis, and no later valuations were recorded. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

The revaluation surplus arising from previous revaluation is accumulated in equity under revaluation reserve. Any impairment loss is first offset against the revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

Freehold land is not amortised. Capital work in progress is also not amortised as the asset is not available for use. Leasehold land classified as finance lease is amortised in equal instalment over the period of the leases ranging from 60 to 999 years. Other assets are depreciated on a straight line basis to write off the cost or valuation of the assets to their residual values, over the term of their estimated useful lives as follows:

Buildings	5 – 80 years
Plant and machinery	5 – 30 years
Aircrafts	6 – 15 years
Furniture and equipment	2 – 15 years
Motor vehicles	3 – 10 years
Vessels	25 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss. Unutilised revaluation surplus on that item is taken directly to retained earnings.

## **(H) BIOLOGICAL ASSETS**

The expenditure on new planting and replanting of a different produce crop incurred up to the time of maturity is capitalised.

Depreciation charges and external borrowing costs related to the development of new plantations are included as part of the capitalisation of immature planting costs. Replanting expenditure incurred in respect of the same crop is charged to profit or loss in the year in which it is incurred. Biological assets is not amortised.



## 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, investment properties are measured at fair value, which is determined by the Directors by reference to market evidence of transaction prices for similar properties, and valuation performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the investment property is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note (G) up to the date of change in use.

**(J) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS****(a) Development properties**

Development properties are classified within non-current assets and are stated at cost less accumulated impairment losses.

Development properties comprise land banks which are in the process of being prepared for development but have not been launched, or where development activities are not expected to be completed within the normal operating cycle.

Development properties are reclassified as property development in progress at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

## **(J) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS (CONT'D.)**

### **(b) Property development in progress**

Property development in progress comprises cost of land currently being developed together with related development cost common to the whole project and direct building cost.

Property development revenue and expenses are recognised in profit or loss using the stage of completion method when the financial outcome of the development activity can be reliably estimated. The stage of completion is determined by the proportion that property development cost incurred for work performed to date bear to the estimated total property development cost.

Where the financial outcome cannot be reliably estimated, revenue is recognised to the extent that costs are recoverable and costs on properties sold are expensed in the period incurred.

Any expected loss on a development project, including costs to be incurred over the defect liability period, is recognised as an expense immediately.

The excess or shortfall of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings within trade receivables or progress billings within trade payables respectively.

Property development costs not recognised as an expense are recognised as asset, which is measured at the lower of cost or net realisable value.

## **(K) LONG TERM PREPAYMENTS**

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

## **(L) CONSTRUCTION CONTRACTS**

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract cost are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date to the estimated total contract cost.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract cost incurred that is likely to be recoverable. Contract cost is recognised as expense in the period in which it is incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variation in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of cost incurred on construction contracts plus recognised profit (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed cost incurred plus recognised profit (less recognised losses), the balance is classified as amount due to customers on contracts.

## ACCOUNTING POLICIES

**(M) REVENUE RECOGNITION**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods and services is recognised when the goods and services are delivered. Revenue from property development and construction contracts is recognised on the percentage of completion method. Rental income from the letting of properties is recognised on a straight line basis over the lease terms, while finance charges from hire purchase activities are recognised over the period of the hire purchase contracts using the effective interest method. Revenue from rental of hotel rooms, sale of food and beverage and other related income are recognised on an accrual basis. Revenue from air transportation and flight services comprise monthly standing charges and flying hour charges, and is recognised based on the contracted monthly charge and actual hours flown at contracted hourly rate respectively. Tuition fees are recognised over the period of instruction whereas non-refundable registration and enrolment fees are recognised when chargeable.

Dividends from Subsidiaries, associates, joint ventures and available for sale investments are recognised when the right to receive payment is established. Interest income is recognised as it accrues using the effective interest method unless collection is doubtful.

**(N) INCOME TAXES**

Income tax recognised in profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit 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.

## **(N) INCOME TAXES (CONT'D.)**

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with the investments in Subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

## **(O) EMPLOYEE BENEFITS**

Short term benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

As required by law, the Group and the Company make contributions to the Employees Provident Fund in Malaysia. Some of the Group's foreign Subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed. Termination benefits are paid in cases of termination of employment and are recognised as a liability and an expense when there is a detailed formal plan for the termination and is without realistic possibility of withdrawal.

## ACCOUNTING POLICIES

**(P) INVENTORIES**

Inventories are stated at the lower of cost or net realisable value, cost being determined on the weighted average basis. Cost includes all incidental costs incurred in bringing the inventories to their present location and condition; and in the case of produce stocks, includes harvesting, manufacturing and transport charges, where applicable. Inventories of completed properties comprise cost of land and the relevant development cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

**(Q) FINANCIAL ASSETS**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When the financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables, financial assets at fair value through profit or loss and available for sale financial assets. The Group and the Company do not have any held to maturity financial assets.

**(a) Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment losses.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.



## **(Q) FINANCIAL ASSETS (CONT'D.)**

### **(b) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's and the Company's loans and receivables comprise receivables (exclude prepayments and advances paid to suppliers), deposits and cash and bank balances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

### **(c) Available for sale (AFS) financial assets**

AFS financial assets are financial assets that are designated as available for sale or are not classified in any other categories of financial assets. The Group's and the Company's available for sale financial assets comprise investments.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available for sale equity instruments are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require the delivery of assets within the period generally established by regulation or convention in marketplace concerned.

**(R) IMPAIRMENT OF FINANCIAL ASSETS**

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

**(a) Financial assets carried at amortised cost**

To determine whether there is objective evidence that impairment exists for financial assets carried at amortised cost, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has occurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**(b) Available for sale financial assets**

In the case of equity instruments classified as available for sale, significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that these financial assets are impaired.

If an available for sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss.

Impairment losses on available for sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

## **(S) IMPAIRMENT OF NON-FINANCIAL ASSETS**

The carrying amounts of other assets are reviewed at the end of each reporting date to determine whether there is an indication of impairment. If such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGU).

The recoverable amount of an asset or cash generating unit (CGU) is the greater of its fair value less cost of disposal and its value in use. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

## **(T) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

## **(U) FINANCIAL LIABILITIES**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of financial liabilities at initial recognition.

### **(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

## ACCOUNTING POLICIES

**(U) FINANCIAL LIABILITIES (CONT'D.)****(b) Other financial liabilities**

The Group's and the Company's other financial liabilities include loans and borrowings, trade payables and other payables.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(V) LEASES****(a) Finance lease**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards of ownership. Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

**(b) Operating lease**

Leases of assets under which substantial risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

The tenure of the Group's leasehold land ranges from 2 to 90 years (2014: 2 to 90 years).

## **(W) NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets or disposal groups are classified as being held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of carrying amount and fair value less costs to sell when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to the terms that are usual and customary.

## **(X) SEGMENT REPORTING**

For management purpose, the Group is organised into operating segments based on their activities, products and services which are independently managed by the Divisional Directors responsible for the performance of the respective segments under their charge. The Divisional Directors report directly to the Group's chief operating decision maker who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance.

## **(Y) EQUITY INSTRUMENTS AND RELATED EXPENSES**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares of the Company and the Junior Sukuk Musharakah (Perpetual Sukuk) are equity instruments.

Ordinary shares and the Perpetual Sukuk are classified as equity. Dividends on ordinary shares and distributions on the Perpetual Sukuk are recognised in equity in the period in which they are declared respectively. The attributable incremental transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax.

## **(Z) BORROWING COSTS**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

## **(AA) CONTINGENCIES**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.



# 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 Menara Boustead, Jalan Raja Chulan, Kuala Lumpur. Information on the Group's investment in Subsidiaries, associates and joint ventures is set out on pages 210 to 215 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 authorised for issue in accordance with a resolution of the Directors on 1 March 2016.

## 2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company adopted for the first time the following new and amended FRSs which are effective for annual period beginning on or after 1 January 2015:

- Amendment to FRS 2 Share-Based Payments (Annual Improvements to FRSs 2010 – 2012 Cycle)
- Amendment to FRS 3 Business Combinations (Annual Improvements to FRSs 2010 – 2012 and 2011 – 2013 Cycles)
- Amendment to FRS 8 Operating Segments (Annual Improvements to FRSs 2010 – 2012 Cycle)
- FRS 13 Fair Value Measurement (Annual Improvements to FRSs 2011 – 2013 Cycle)
- Amendment to FRS 116 Property Plant and Equipment (Annual Improvements to FRSs 2010 – 2012 Cycle)
- Amendment to FRS 119 Employee Benefits – Defined Benefit Plans: Employee Contribution
- Amendment to FRS 124 Related Party Disclosures (Annual Improvements to FRSs 2010 – 2012 Cycle)
- Amendment to FRS 138 Intangible Assets (Annual Improvements to FRSs 2010 – 2012 Cycle)
- Amendment to FRS 140 Investment Property (Annual Improvements to FRSs 2011 – 2013 Cycle)

Adoption of the above new or amended standards did not have any effect on the financial performance or the position of the Group and of the Company.

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not early adopted the following new and amended FRSs that are not yet effective:

#### **Effective for annual period beginning on or after 1 January 2016**

- Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)
- Amendments to FRS 7 Financial Instruments Disclosures (Annual Improvements to FRSs 2012 – 2014 Cycle)
- Amendments to FRS 119 Employee Benefits (Annual Improvements to FRSs 2012 – 2014 Cycle)
- Amendments to FRS 134 Interim Financial Reporting (Annual Improvements to FRSs 2012 – 2014 Cycle)
- Amendments to FRS 10 Consolidated Financial Statements, FRS 12 Disclosure of Interests in Other Entities and FRS 128 Investments in Associates and Joint Ventures (2011) – Investment Entities Applying the Consolidation Exception
- Amendments to FRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- FRS 14 Regulatory Deferral Accounts
- FRS 101 Presentation of Financial Statements – Disclosure Initiative (Amendments to MFRS 101)
- Amendments to FRS 116 Property Plant and Equipment and FRS 138 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 127 Separate Financial Statements (2011) – Equity Method in Separate Financial Statements

#### **Effective for annual period beginning on or after 1 January 2018**

- FRS 9 Financial Instruments (2014)

#### **Deferred**

- Amendments to FRS 10 Consolidated Financial Statements and FRS 128 Investments in Associates and Joint Ventures (2011) – Sale or Contribution of Assets between an Investor and its Associate Joint Venture.

## NOTES TO THE FINANCIAL STATEMENTS

**3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)****Amendments to FRS 127: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying FRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of FRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to FRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

These amendments will not have any impact on the Group's and the Company's financial statements.

**Amendments to FRS 101: Disclosure Initiatives**

The amendments to FRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

**Amendments to FRS 134: Interim Financial Reporting**

MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

These amendments will not have any impact on the Group's and the Company's financial statements.

**FRS 9 Financial Instruments**

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

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

#### MFRS Framework

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework is effective for annual periods beginning on or after 1 January 2012 for all entities except for entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called Transitioning Entities). On 8 September 2015, MASB announced that the adoption of the MFRS Framework by Transitioning Entities will only be mandatory for annual periods beginning on or after 1 January 2018.

The Group falls under the scope definition of Transitioning Entities and has opted to adopt MFRS for annual periods beginning on 1 January 2018. When the Group presents its first MFRS financial statements in 2018, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made retrospectively against opening retained profits.

Under the FRS framework, the Group's accounting policy for biological assets are as disclosed in Note (H). Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs of disposal.

The Group will also adopt MFRS 15 Revenue from Contracts with Customers which is effective on 1 January 2018. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue standard will supersede all current revenue recognition requirements under the FRS Framework. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted.

At the date of these financial statements, the Group has not completed its quantification of the financial effects on the financial statements of the differences arising from the change from FRS to MFRS. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the financial years ended 31 December 2014 and 31 December 2015 could be different if prepared under the MFRS Framework.

## NOTES TO THE FINANCIAL STATEMENTS

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(a) Impairment of intangible assets**

The Group assesses whether there are any indicators of impairment of intangible assets at each reporting date. Intangible assets 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 calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit 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 charges. Further details of the key assumptions applied in the impairment assessment of intangible assets are given in Note 24.

**(b) Useful lives of property, plant and equipment**

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on the internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

**(c) Impairment of biological assets and property, plant and equipment**

The Group reviews the carrying amounts of the biological assets and property, plant and equipment as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of biological assets and property, plant and equipment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. 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 charges. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations. The provision for impairment of property, plant and equipment and biological assets is disclosed in Note 13 and 14 respectively.



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

##### **(d) Impairment of loans and receivables**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 39.

##### **(e) Property development**

The Group recognises property development revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development cost incurred for work performed to date bear to the estimated total property development cost.

Significant judgement is required in determining the stage of completion, the extent of the property development cost incurred, the estimated total property development revenue and cost, as well as the recoverability of the property development cost. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of the Group's development properties and property development in progress are disclosed in Note 16 and Note 26.

##### **(f) Construction contracts**

The Group recognises construction revenue and cost, including rendering of services, in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that contract cost incurred for work performed to date bear to the estimated total contract cost.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and cost, as well as the recoverability of the contract cost. In making the judgement, the Group evaluates based on past experience and by relying on the work of internal specialists.

##### **(g) Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses, unused tax credits and unabsorbed capital 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 and capital allowances and the unrecognised tax losses, tax credits and capital allowances are disclosed in Note 19.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Sale of produce	614.0	716.0	—	—
Sale of goods				
– Petroleum products	3,192.3	4,642.6	—	—
– Pharmaceutical products	2,189.3	2,122.9	—	—
– Building materials	376.0	381.1	—	—
– Others	13.7	14.6	—	—
Ship repair	331.7	345.8	—	—
Shipbuilding	772.6	1,121.4	—	—
Sale of development properties	354.9	359.8	—	—
Rental income	125.0	123.0	7.3	7.3
Hotel operations	180.2	177.1	—	—
Tuition fees	144.1	136.6	—	—
Air transportation and flight services	300.7	387.3	—	—
Chartering of vessels	10.9	33.3	—	—
Gross dividends from quoted shares in Malaysia				
– Subsidiaries	—	—	161.4	69.2
– Associates	—	—	12.0	60.3
– Others	—	—	0.1	0.1
Gross dividends from unquoted shares in Malaysia				
– Subsidiaries	—	—	123.5	68.8
– Associates	—	—	0.9	17.0
Others	57.1	46.7	7.9	6.6
	8,662.5	10,608.2	313.1	229.3

## 6. OPERATING COST

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Changes in inventories of finished goods and work in progress	2.9	19.1	–	–
Finished goods and work in progress purchases	4,896.4	6,294.1	–	–
Raw material and consumables used	1,515.3	1,781.0	–	–
Staff costs	652.8	649.6	18.1	12.4
Defined contribution plans	85.0	84.0	2.7	1.9
Depreciation and amortisation				
– Property, plant and equipment (Note 13)	259.2	258.7	0.6	0.6
– Prepaid land lease payments (Note 17)	2.1	2.1	–	–
– Long term prepayments (Note 18)	9.4	8.7	–	–
– Intangible assets (Note 24)	37.6	26.2	–	–
Statutory audit fees				
– Auditor of the Company	3.1	2.8	0.3	0.3
– Others	0.8	0.6	–	–
Directors' fees – current year	1.2	1.2	0.5	0.4
Directors' remuneration				
– Emoluments	5.4	5.0	3.4	3.3
– Benefits	0.7	0.3	0.6	0.1
Biological assets and property, plant and equipment				
– Gain on disposal of other assets	(1.8)	(20.5)	–	(0.3)
– Written off (Note 13)	–	0.8	–	–
– Impairment loss (Note 13)	12.9	–	–	–
Gain on disposal of investment properties	(7.6)	–	–	–
Trade receivables (Note 28)				
– Impairment loss	21.0	15.7	–	–
– Reversal of impairment loss	(12.2)	(3.9)	–	–
Other operating cost	865.5	849.6	42.5	11.5
	8,349.7	9,975.1	68.7	30.2

## NOTES TO THE FINANCIAL STATEMENTS

## 6. OPERATING COST (CONT'D.)

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Other operating cost includes:				
Rent paid	33.1	27.3	2.1	2.1
Investment properties				
– Direct operating expenses	44.9	41.1	3.6	3.4
Aircraft and flight operating expenses				
– Leasing of aircraft and parts	–	20.7	–	–
– Maintenance and upkeep	97.2	133.7	–	–
Hire of equipment	3.7	3.8	–	–
Research and development	20.8	15.7	–	–
Net fair value gain on derivatives	(34.6)	(0.2)	–	–
Net foreign exchange loss/(gain)				
– Realised	31.4	(5.2)	–	–
– Unrealised	10.6	1.1	–	–
Inventories				
– Writedown	8.6	16.6	–	–
Amount due from Subsidiaries				
– Impairment loss	–	–	31.5	–
Advertising and promotion	53.1	51.5	–	–

## 7. INTEREST INCOME

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Interest income				
– Subsidiaries	–	–	66.4	52.7
– Associates and joint ventures	6.7	8.0	0.1	–
– Others	24.9	21.1	0.4	1.1
	31.6	29.1	66.9	53.8

## 8. OTHER INVESTMENT RESULTS

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Gross dividends				
- Quoted shares in Malaysia	1.3	1.0	-	-
Profit on disposal of				
- Associates	-	0.9	-	-
- Other investments	0.1	1.6	-	-
Profit on partial disposal of a Subsidiary	-	-	-	119.1
Net fair value gain on investment properties (Note 15)	83.1	92.6	12.3	5.8
Impairment loss				
- Quoted shares in Malaysia	(3.7)	-	-	-
- Goodwill (Note 24)	(7.4)	-	-	-
	73.4	96.1	12.3	124.9

## 9. FINANCE COST

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Interest expense on				
- Loans from Subsidiaries	-	-	4.4	2.4
- Bank borrowings	297.0	288.0	65.6	50.9
- Bank guaranteed medium term notes	54.3	57.0	54.3	57.0
- Asset-backed bonds	45.3	47.6	-	-
	396.6	392.6	124.3	110.3
Capitalised in qualifying assets				
- Property, plant and equipment (Note 13)	(1.3)	(1.5)	-	-
- Biological assets (Note 14)	(0.3)	(0.2)	-	-
- Investment properties (Note 15)	(2.2)	(1.3)	-	-
- Development properties (Note 16)	(4.7)	(1.6)	-	-
- Property development in progress (Note 26)	(8.0)	(9.1)	-	-
- Construction contracts (Note 27)	(89.6)	(89.9)	-	-
	(106.1)	(103.6)	-	-
	290.5	289.0	124.3	110.3



## NOTES TO THE FINANCIAL STATEMENTS

## 10. INCOME TAX EXPENSE

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Tax expense for the year				
- Malaysian income tax	123.5	151.0	5.9	5.7
- Foreign income tax	2.4	0.7	–	–
- Deferred tax relating to origination and reversal of temporary differences (Note 19)	18.5	5.6	0.8	0.3
	144.4	157.3	6.7	6.0
(Over)/under provision in prior year				
- Malaysian income tax	(14.5)	0.6	(0.1)	–
- Deferred tax (Note 19)	(0.1)	(5.5)	–	–
	129.8	152.4	6.6	6.0

Domestic current income tax is calculated at the Malaysian statutory rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective from year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected these changes.

## 10. INCOME TAX EXPENSE (CONT'D.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Profit before taxation	<b>269.2</b>	685.7	<b>199.3</b>	267.5
Taxation at Malaysian statutory rate of 25% (2014: 25%)	<b>67.3</b>	171.4	<b>49.8</b>	66.9
Income not subject to tax	<b>(15.8)</b>	(5.4)	<b>(74.5)</b>	(85.3)
Share of results in associates and joint ventures	<b>(21.2)</b>	(54.1)	–	–
Non-deductible expenses	<b>83.2</b>	65.6	<b>33.8</b>	25.6
Expenses subject to double deduction	<b>(2.8)</b>	–	–	–
Tax incentives	<b>(3.3)</b>	(2.6)	–	–
Deferred tax assets not recognised	<b>55.8</b>	20.7	<b>0.1</b>	–
Benefit from previously unrecognised tax losses and unabsorbed capital allowances	<b>(3.1)</b>	(18.8)	–	–
Effect on recognising deferred tax based on real property gains tax rate	<b>(15.7)</b>	(19.5)	<b>(2.5)</b>	(1.2)
	<b>144.4</b>	157.3	<b>6.7</b>	6.0
Over provision in prior year	<b>(14.6)</b>	(4.9)	<b>(0.1)</b>	–
Income tax expense recognised in profit or loss	<b>129.8</b>	152.4	<b>6.6</b>	6.0

## 11. EARNINGS PER SHARE

Basic and diluted earnings per share of the Group is calculated by dividing the consolidated profit for the year attributable to shareholders of the Company of RM13.2 million (2014: RM408.2 million) by the weighted average number of ordinary shares in issue during the year of 1,034.2 million (2014: 1,034.2 million).

## NOTES TO THE FINANCIAL STATEMENTS

## 12. DIVIDENDS

	Dividend amount		Dividend per share	
	2015 RM Million	2014 RM Million	2015 Sen	2014 Sen
Dividends on ordinary shares in respect of financial year ended 31 December				
– First interim	51.7	77.6	5.0	7.5
– Second interim	51.7	77.6	5.0	7.5
– Third interim	62.0	62.0	6.0	6.0
Fourth interim dividend paid in respect of the previous financial year	165.4	217.2	16.0	21.0
	51.7	77.6	5.0	7.5
	217.1	294.8	21.0	28.5

Subsequent to the end of the current financial year, the Directors declared a fourth interim dividend of 4 sen per share amounting to RM41.4 million in respect of the financial year ended 31 December 2015. The dividend which will be paid on 12 April 2016 will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM Million	Others RM Million	Total RM Million
<b>Company - 2015</b>			
<b>Cost</b>			
At 1 January 2015	–	9.1	9.1
Additions	–	0.7	0.7
Disposals	–	(0.2)	(0.2)
Transfer from Group companies	–	0.1	0.1
At 31 December 2015	–	9.7	9.7
<b>Depreciation</b>			
At 1 January 2015	–	6.7	6.7
Charge for the year (Note 6)	–	0.6	0.6
Disposals	–	(0.2)	(0.2)
Transfer from Group companies	–	0.1	0.1
At 31 December 2015	–	7.2	7.2
<b>Net book value</b>			
At 31 December 2015	–	2.5	2.5
<b>Company - 2014</b>			
<b>Cost</b>			
At 1 January 2014	2.5	8.8	11.3
Additions	–	0.6	0.6
Disposals	(2.5)	(0.3)	(2.8)
At 31 December 2014	–	9.1	9.1
<b>Depreciation</b>			
At 1 January 2014	0.7	6.4	7.1
Charge for the year (Note 6)	–	0.6	0.6
Disposals	(0.7)	(0.3)	(1.0)
At 31 December 2014	–	6.7	6.7
<b>Net book value</b>			
At 31 December 2014	–	2.4	2.4

## NOTES TO THE FINANCIAL STATEMENTS

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

	Land and buildings RM Million	Aircraft and vessels RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
<b>Group – 2015</b>					
<b>Cost or valuation</b>					
At 1 January 2015	3,539.9	1,161.2	851.9	730.7	6,283.7
Additions	25.9	–	30.3	265.9	322.1
Disposals	(16.3)	–	(6.6)	(9.8)	(32.7)
Written off (Note 6)	–	–	–	(1.0)	(1.0)
Transfer from/(to)					
– Investment properties (Note 15)	106.0	–	–	–	106.0
– Prepaid land lease payments (Note 17)	1.3	–	–	–	1.3
– Assets classified as held for sale (Note 30)	(30.5)	(140.9)	(76.6)	–	(248.0)
Reclassification	14.0	–	46.1	(60.1)	–
Exchange adjustment	0.8	–	0.5	1.3	2.6
At 31 December 2015	3,641.1	1,020.3	845.6	927.0	6,434.0
<b>Depreciation and impairment loss</b>					
At 1 January 2015	278.4	239.7	375.3	387.0	1,280.4
Charge for the year					
– Recognised in profit or loss (Note 6)	60.4	67.0	59.1	72.7	259.2
– Capitalised in contract cost (Note 27)	0.9	–	1.6	5.1	7.6
Transfer (to)/from					
– Prepaid land lease payments (Note 17)	0.2	–	–	–	0.2
– Assets classified as held for sale (Note 30)	(4.1)	(68.2)	(70.3)	–	(142.6)
Impairment loss (Note 6)	–	12.6	–	0.3	12.9
Disposals	(1.1)	–	(6.3)	(9.3)	(16.7)
Written off (Note 6)	–	–	–	(1.0)	(1.0)
Reclassification	–	–	0.6	(0.6)	–
Exchange adjustment	–	–	(0.2)	(0.8)	(1.0)
At 31 December 2015	334.7	251.1	359.8	453.4	1,399.0
<b>Net book value</b>					
At 31 December 2015	3,306.4	769.2	485.8	473.6	5,035.0
<b>Accumulated impairment loss</b>					
At 31 December 2015	0.3	–	–	28.0	28.3



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

	Land and buildings RM Million	Aircraft and vessels RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
<b>Group - 2014</b>					
<b>Cost or valuation</b>					
At 1 January 2014	3,039.7	1,161.2	786.0	678.5	5,665.4
Acquisition of Subsidiary (Note 45)	7.0	–	0.8	6.9	14.7
Additions	399.1	–	25.9	218.3	643.3
Disposals	(6.7)	–	(1.4)	(23.5)	(31.6)
Written off (Note 6)	–	–	(5.5)	(3.6)	(9.1)
Transfer (to)/from					
– Biological assets (Note 14)	0.8	–	–	–	0.8
– Investment properties (Note 15)	(2.4)	–	–	(3.7)	(6.1)
– Prepaid land lease payments (Note 17)	6.2	–	–	–	6.2
Reclassification	96.1	–	46.1	(142.2)	–
Exchange adjustment	0.1	–	–	–	0.1
At 31 December 2014	3,539.9	1,161.2	851.9	730.7	6,283.7
<b>Depreciation and impairment loss</b>					
At 1 January 2014	209.5	172.8	321.0	340.7	1,044.0
Charge for the year					
– Recognised in profit or loss (Note 6)	70.1	66.9	60.1	61.6	258.7
– Capitalised in contract cost (Note 27)	1.5	–	0.9	2.9	5.3
Transfer (to)/from					
– Investment properties (Note 15)	(1.5)	–	–	–	(1.5)
– Prepaid land lease payments (Note 17)	0.4	–	–	–	0.4
Disposals	(1.6)	–	(1.2)	(15.2)	(18.0)
Written off (Note 6)	–	–	(5.5)	(2.8)	(8.3)
Exchange adjustment	–	–	–	(0.2)	(0.2)
At 31 December 2014	278.4	239.7	375.3	387.0	1,280.4
<b>Net book value</b>					
At 31 December 2014	3,261.5	921.5	476.6	343.7	5,003.3
<b>Accumulated impairment loss</b>					
At 31 December 2014	0.3	16.7	–	27.7	44.7

## NOTES TO THE FINANCIAL STATEMENTS

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

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Analysis of net book value of land and buildings:</b>				
Freehold property				
- Land	986.3	992.5	-	-
- Building	1,126.6	1,032.6	-	-
	2,112.9	2,025.1	-	-
Leasehold property				
Long leasehold				
- Land	642.5	657.5	-	-
- Building	374.7	401.8	-	-
Short leasehold				
- Land	9.3	9.8	-	-
- Building	167.0	167.3	-	-
	1,193.5	1,236.4	-	-
	3,306.4	3,261.5	-	-
<b>Analysis of cost or valuation:</b>				
Cost	6,298.8	6,148.5	9.7	9.1
Valuation	135.2	135.2	-	-
	6,434.0	6,283.7	9.7	9.1

Included in the Group's other property, plant and equipment is capital work in progress costing RM249.4 million (2014: RM162.4 million). The other assets included under this category are motor vehicles and furniture and equipment.

Properties stated at valuation are based on independent professional valuation carried out on an open market basis. As allowed by the transitional provision of IAS 16 (Revised) Property, Plant and Equipment, these assets continued to be stated on the basis of their previous valuations. The net book value of these revalued freehold properties that would have been included in the Group's financial statements, had these assets been carried at cost less depreciation is RM55.8 million (2014: RM57.2 million).

Additions to the Group's property, plant and equipment during the year include the capitalisation of interest cost of RM1.3 million (2014: RM1.5 million) (Note 9).

The net carrying amount of property, plant and equipment pledged as securities for borrowings as disclosed in Note 34 is RM44.6 million (2014: RM126.2 million).

The impairment loss of RM12.6 million represents the write down of all chemical tankers to the recoverable amount as a result of current market conditions.

#### 14. BIOLOGICAL ASSETS

	Group	
	2015 RM Million	2014 RM Million
<b>Cost</b>		
At 1 January	1,295.5	1,273.9
Additions	1.4	23.5
Transfer to		
– Property, plant and equipment (Note 13)	–	(0.8)
– Assets classified as held for sale (Note 30)	(0.4)	–
Disposals	(0.8)	(1.1)
At 31 December	1,295.7	1,295.5
<b>Impairment loss</b>		
At 1 January	34.3	34.4
Disposals	–	(0.1)
At 31 December	34.3	34.3
<b>Net book value</b>		
At 31 December	1,261.4	1,261.2
Interest cost capitalised during the year (Note 9)	0.3	0.2

## NOTES TO THE FINANCIAL STATEMENTS

## 15. INVESTMENT PROPERTIES

	Completed investment properties RM Million	Investment properties under construction at cost RM Million	Total RM Million
<b>Group</b>			
At 1 January 2014	1,304.7	16.1	1,320.8
Net fair value gain (Note 8)	92.6	–	92.6
Additions from subsequent expenditure	98.5	17.7	116.2
Transfer from property, plant and equipment (Note 13)	4.6	–	4.6
At 31 December 2014 and 1 January 2015	<b>1,500.4</b>	<b>33.8</b>	<b>1,534.2</b>
Net fair value gain (Note 8)	<b>83.1</b>	–	<b>83.1</b>
Additions from subsequent expenditure	<b>3.5</b>	<b>49.4</b>	<b>52.9</b>
Transfer to			
– Property, plant and equipment (Note 13)	<b>(106.0)</b>	–	<b>(106.0)</b>
– Development properties (Note 16)	<b>(9.6)</b>	–	<b>(9.6)</b>
Disposals	<b>(26.1)</b>	–	<b>(26.1)</b>
Exchange adjustment	<b>15.3</b>	–	<b>15.3</b>
At 31 December 2015	<b>1,460.6</b>	<b>83.2</b>	<b>1,543.8</b>
<b>Company</b>			
At 1 January 2014	81.0	–	81.0
Net fair value gain (Note 8)	5.8	–	5.8
Additions from subsequent expenditure	1.1	–	1.1
At 31 December 2014 and 1 January 2015	<b>87.9</b>	–	<b>87.9</b>
Net fair value gain (Note 8)	<b>12.3</b>	–	<b>12.3</b>
Additions from subsequent expenditure	<b>0.6</b>	–	<b>0.6</b>
At 31 December 2015	<b>100.8</b>	–	<b>100.8</b>

Investment properties were revalued by Directors based on independent professional valuations using the open market value basis. Valuations are performed by accredited independent valuers with recent experience in the location and categories of properties being valued.

Additions to the Group's investment properties during the year include the capitalisation of interest cost of RM2.2 million (2014: RM1.3 million) (Note 9).

## 16. DEVELOPMENT PROPERTIES

	Group	
	2015 RM Million	2014 RM Million
At 1 January		
- Freehold land, at cost	294.9	81.2
- Long leasehold land, at cost	4.5	10.4
- Development cost	202.1	247.6
	501.5	339.2
Transfer to property development in progress (Note 26)		
- Freehold land	-	(1.2)
- Long leasehold land	(0.2)	(5.9)
- Development cost	(53.9)	(222.4)
	(54.1)	(229.5)
Transfer from investment properties (Note 15)	9.6	-
	(44.5)	(229.5)
Cost incurred during the year		
- Development cost	173.1	391.8
- Exchange adjustment	8.8	-
	181.9	391.8
At 31 December	638.9	501.5
Interest cost capitalised during the year (Note 9)	4.7	1.6



## NOTES TO THE FINANCIAL STATEMENTS

## 17. PREPAID LAND LEASE PAYMENTS

	Group	
	2015 RM Million	2014 RM Million
<b>Cost</b>		
At 1 January	71.9	76.6
Additions	2.0	–
Transfer to property, plant and equipment (Note 13)	(1.3)	(6.2)
Acquisition of Subsidiary (Note 45)	–	1.5
Exchange adjustment	0.2	–
At 31 December	72.8	71.9
<b>Accumulated amortisation</b>		
At 1 January	9.3	7.6
Charge for the year (Note 6)	2.1	2.1
Transfer to property, plant and equipment (Note 13)	(0.2)	(0.4)
At 31 December	11.2	9.3
<b>Net book value</b>		
At 31 December	61.6	62.6
Amount to be amortised		
– Within 1 year	2.1	2.1
– Later than 1 year but not later than 5 years	8.4	8.4
– Later than 5 years	51.1	52.1
	61.6	62.6

## 18. LONG TERM PREPAYMENTS

	Group	
	2015 RM Million	2014 RM Million
At 1 January	153.7	152.2
Additions	26.0	10.2
Charge for the year (Note 6)	(9.4)	(8.7)
At 31 December	170.3	153.7

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

## 19. DEFERRED TAXATION

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
At 1 January	(37.0)	(31.5)	(1.5)	(1.2)
Acquisition of Subsidiary (Note 45)	–	(5.6)	–	–
Recognised in profit or loss (Note 10)	(18.4)	(0.1)	(0.8)	(0.3)
Exchange adjustment	(0.2)	0.2	–	–
At 31 December	(55.6)	(37.0)	(2.3)	(1.5)
Presented after appropriate offsetting as follows:				
Deferred tax assets	50.1	53.3	–	–
Deferred tax liabilities	(105.7)	(90.3)	(2.3)	(1.5)
	(55.6)	(37.0)	(2.3)	(1.5)

Deferred tax liabilities of the Company is mainly relates to the taxable temporary differences on investment property of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

**19. DEFERRED TAXATION (CONT'D.)**

The components and movements of deferred tax assets and liabilities for the Group during the financial year prior to offsetting are as follows:

	<b>Tax losses RM Million</b>	<b>Unabsorbed capital allowances RM Million</b>	<b>Others RM Million</b>	<b>Total RM Million</b>
<b>Deferred tax assets – Group</b>				
At 1 January 2014	99.1	62.2	42.2	203.5
Recognised in profit or loss	4.2	55.8	5.6	65.6
At 31 December 2014 and 1 January 2015	<b>103.3</b>	<b>118.0</b>	<b>47.8</b>	<b>269.1</b>
Recognised in profit or loss	<b>(4.8)</b>	<b>(33.4)</b>	<b>(2.2)</b>	<b>(40.4)</b>
At 31 December 2015	<b>98.5</b>	<b>84.6</b>	<b>45.6</b>	<b>228.7</b>
	<b>Fair value gain on investment properties RM Million</b>	<b>Accelerated depreciation RM Million</b>	<b>Others RM Million</b>	<b>Total RM Million</b>
<b>Deferred tax liabilities – Group</b>				
At 1 January 2014	(11.9)	(196.1)	(27.0)	(235.0)
Acquisition of Subsidiary (Note 45)	–	–	(5.6)	(5.6)
Recognised in profit or loss	(5.2)	(55.0)	(5.5)	(65.7)
Exchange adjustment	–	–	0.2	0.2
At 31 December 2014 and 1 January 2015	<b>(17.1)</b>	<b>(251.1)</b>	<b>(37.9)</b>	<b>(306.1)</b>
Recognised in profit or loss	<b>2.0</b>	<b>16.3</b>	<b>3.7</b>	<b>22.0</b>
Exchange adjustment	–	–	<b>(0.2)</b>	<b>(0.2)</b>
At 31 December 2015	<b>(15.1)</b>	<b>(234.8)</b>	<b>(34.4)</b>	<b>(284.3)</b>

## 19. DEFERRED TAXATION (CONT'D.)

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

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Unused tax losses	<b>1,074.9</b>	888.3	–	–
Unabsorbed capital allowances and agricultural allowances	<b>141.2</b>	117.9	<b>0.1</b>	–
Unabsorbed investment tax allowances	<b>46.8</b>	37.1	–	–
	<b>1,262.9</b>	1,043.3	<b>0.1</b>	–

The availability of the unused tax losses and unabsorbed capital 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.

## 20. SUBSIDIARIES

	Company	
	2015 RM Million	2014 RM Million
At cost		
Shares quoted in Malaysia	<b>1,117.4</b>	1,117.4
Unquoted shares	<b>1,855.8</b>	1,836.8
	<b>2,973.2</b>	2,954.2
Accumulated impairment loss	<b>(5.8)</b>	(5.8)
	<b>2,967.4</b>	2,948.4
Market value of quoted shares	<b>2,527.9</b>	2,371.1

## NOTES TO THE FINANCIAL STATEMENTS

## 20. SUBSIDIARIES (CONT'D.)

## Non-controlling interests in Subsidiaries

The Group regards Boustead Plantations Berhad (BPlant Group), Boustead Petroleum Sdn Bhd (BPSB Group) and Pharmaniaga Berhad (Pharmaniaga Group) as Subsidiaries that have material non-controlling interests (NCI), details are as follows:

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million	Other Subsidiaries with immaterial NCI RM Million	Total RM Million
<b>Group - 2015</b>					
NCI percentage of ownership interest and voting interest	40%	43%	44%		
Carrying amount of NCI	222.8	975.4	294.9	112.6	1,605.7
Profit allocated to NCI	22.5	27.1	33.4	(29.4)	53.6
Dividends paid to NCI	26.2	82.5	39.5	–	148.2

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

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
<b>As at 31 December 2015</b>			
Non-current assets	861.6	2,753.5	726.8
Current assets	264.6	546.0	768.9
Non-current liabilities	(27.6)	(148.0)	(41.5)
Current liabilities	(643.9)	(923.4)	(894.2)
Net assets	454.7	2,228.1	560.0
<b>Year ended 31 December 2015</b>			
Revenue	3,192.3	615.2	2,189.3
Profit for the year	21.9	72.3	84.6
Total comprehensive income	21.9	72.4	98.6
<b>Cashflows from/(used in)</b>			
Operating activities	65.5	98.6	7.3
Investing activities	(83.4)	65.7	(118.8)
Financing activities	(19.8)	(181.5)	100.8
Net decrease in cash and cash equivalents	(37.7)	(17.2)	(10.7)

## 20. SUBSIDIARIES (CONT'D.)

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million	Other Subsidiaries with immaterial NCI RM Million	Total RM Million
<b>Group - 2014</b>					
NCI percentage of ownership interest and voting interest	40%	43%	44%		
Carrying amount of NCI	226.5	1,030.8	292.3	143.9	1,693.5
Profit allocated to NCI	23.2	1.1	37.0	9.3	70.6
Dividends paid to NCI	25.5	27.9	25.0	–	78.4

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

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
<b>As at 31 December 2014</b>			
Non-current assets	801.2	2,788.5	638.4
Current assets	334.0	514.3	604.3
Non-current liabilities	(26.3)	(173.3)	(35.6)
Current liabilities	(655.6)	(781.0)	(655.1)
Net assets	453.3	2,348.5	552.0
<b>Year ended 31 December 2014</b>			
Revenue	4,642.6	717.3	2,122.9
Profit for the year	36.6	52.4	94.2
Total comprehensive income	36.6	51.9	97.6
<b>Cashflows from/(used in)</b>			
Operating activities	197.0	143.6	213.4
Investing activities	(55.2)	(662.4)	(154.5)
Financing activities	(152.3)	918.6	(60.1)
Net (decrease)/increase in cash and cash equivalents	(10.5)	399.8	(1.2)



## NOTES TO THE FINANCIAL STATEMENTS

## 21. ASSOCIATES

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
At cost				
Shares quoted in Malaysia	881.0	881.0	881.0	881.0
Unquoted shares	102.2	102.2	58.4	58.4
	983.2	983.2	939.4	939.4
Shares of post acquisition reserves	860.3	806.4	–	–
	1,843.5	1,789.6	939.4	939.4
Market value of quoted shares	900.5	1,165.8	900.5	1,165.8

**Material associate**

The Group regards Affin Holdings Berhad (Affin) as a material associate. The summarised information, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates are as follows:

	Affin RM Million
<b>Group - 2015</b>	
Percentage of ownership interest	20.7%
<b>As at 31 December 2015</b>	
Total assets	67,402.0
Total liabilities and non-controlling interest	(59,119.5)
Net assets	8,282.5
<b>Year ended 31 December 2015</b>	
Revenue	3,389.4
Profit for the year	356.7
Total comprehensive income	387.2

## 21. ASSOCIATES (CONT'D.)

	Affin RM Million	Associates that are not individually material RM Million	Total RM Million
<b>Reconciliation of net assets to carrying amount as at 31 December 2015</b>			
Group's share of net assets	1,714.5	109.5	1,824.0
Goodwill	15.2	4.3	19.5
Carrying amount in the statement of financial position	1,729.7	113.8	1,843.5
<b>Group's share of results for the year ended 31 December 2015</b>			
Group's share of profit	73.8	(7.6)	66.2
Group's share of other comprehensive income	6.3	3.1	9.4
Group's share of total comprehensive income	80.1	(4.5)	75.6
<b>Other information</b>			
Dividends received by the Group	12.0	9.7	21.7
			<b>Affin RM Million</b>
<b>Group - 2014</b>			
Percentage of ownership interest			20.7%
<b>As at 31 December 2014</b>			
Total assets			66,669.7
Total liabilities and non-controlling interest			(58,716.3)
Net assets			7,953.4
<b>Year ended 31 December 2014</b>			
Revenue			3,318.7
Profit for the year			605.3
Total comprehensive income			624.5

## NOTES TO THE FINANCIAL STATEMENTS

## 21. ASSOCIATES (CONT'D.)

	Affin RM Million	Associates that are not individually material RM Million	Total RM Million
<b>Reconciliation of net assets to carrying amount as at 31 December 2014</b>			
Group's share of net assets	1,646.4	123.7	1,770.1
Goodwill	15.2	4.3	19.5
Carrying amount in the statement of financial position	1,661.6	128.0	1,789.6
<b>Group's share of results for the year ended 31 December 2014</b>			
Group's share of profit	125.2	(11.9)	113.3
Group's share of other comprehensive income	4.0	0.7	4.7
Group's share of total comprehensive income	129.2	(11.2)	118.0
<b>Other information</b>			
Dividends received by the Group	60.3	19.0	79.3

## 22. JOINT VENTURES

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
At cost				
Unquoted shares	483.9	233.9	250.0	–
Share of post acquisition reserves	137.2	129.1	–	–
	621.1	363.0	250.0	–

### 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 reconciles the information to the carrying amount of the Group's interest in joint ventures (JV) are as follows:

	Irat RM Million	BISB RM Million
<b>Group - 2015</b>		
Percentage of ownership interest	50%	50%
<b>As at 31 December 2015</b>		
Non-current assets	1,296.5	1,009.5
Current assets	56.3	144.8
Non-current liabilities and non-controlling interests	(725.8)	(432.7)
Current liabilities	(141.3)	(141.5)
Net assets	485.7	580.1
<b>Year ended 31 December 2015</b>		
Revenue	42.9	0.4
Profit for the year	(12.6)	5.2
Total comprehensive income	(12.6)	(5.0)

## NOTES TO THE FINANCIAL STATEMENTS

## 22. JOINT VENTURES (CONT'D.)

## Material joint ventures (cont'd.)

	Irat RM Million	BISB RM Million	JV that are not individually material RM Million	Total RM Million
<b>Reconciliation of net assets to carrying amount as at 31 December 2015</b>				
Group's share of net assets	242.9	290.0	83.6	616.5
Goodwill	0.8	–	3.8	4.6
Carrying amount in the statement of financial position	243.7	290.0	87.4	621.1
<b>Group's share of results for the year ended 31 December 2015</b>				
Group's share of profit	(6.3)	2.6	22.3	18.6
Group's share of other comprehensive income	–	(5.1)	–	(5.1)
Group's share of total comprehensive income	(6.3)	(2.5)	22.3	13.5
<b>Other information</b>				
Dividends received by the Group	–	–	5.4	5.4
				<b>BISB RM Million</b>
<b>Group - 2014</b>				
Percentage of ownership interest				50%
<b>As at 31 December 2014</b>				
Non-current assets				682.7
Current assets				76.1
Non-current liabilities				(143.5)
Current liabilities				(30.4)
Net assets				584.9
<b>Year ended 31 December 2014</b>				
Revenue				–
Profit for the year				185.5
Total comprehensive income				185.5

## 22. JOINT VENTURES (CONT'D.)

### Material joint ventures (cont'd.)

	BISB RM Million	JV that are not individually material RM Million	Total RM Million
<b>Reconciliation of net assets to carrying amount as at 31 December 2014</b>			
Group's share of net assets	292.5	66.7	359.2
Goodwill	–	3.8	3.8
Carrying amount in the statement of financial position	292.5	70.5	363.0
<b>Group's share of results for the year ended 31 December 2014</b>			
Group's share of profit	92.8	10.3	103.1
Group's share of other comprehensive income	–	–	–
Group's share of total comprehensive income	92.8	10.3	103.1
<b>Other information</b>			
Dividends received by the Group	–	30.8	30.8

## 23. INVESTMENTS

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Available for sale financial instruments				
– Shares quoted in Malaysia	33.1	38.2	5.2	5.6
– Unquoted shares	0.5	0.6	0.5	0.6
Accumulated impairment loss	33.6 (0.5)	38.8 (0.5)	5.7 (0.5)	6.2 (0.5)
	33.1	38.3	5.2	5.7

The investments in quoted shares are stated at market value. The unquoted shares are stated at cost less impairment loss.



## NOTES TO THE FINANCIAL STATEMENTS

## 24. INTANGIBLE ASSETS

	Goodwill RM Million	Concession right RM Million	Pharmacy manufacturing licence and trade name RM Million	Rights to supply RM Million	Total RM Million
<b>Group</b>					
<b>Cost</b>					
At 1 January 2014	1,180.3	75.0	–	105.0	1,360.3
Acquisition of Subsidiary (Note 45)	48.8	–	18.9	–	67.7
Additions	–	–	–	56.5	56.5
Written off	–	–	–	(51.1)	(51.1)
Exchange adjustment	0.7	–	0.5	–	1.2
At 31 December 2014 and 1 January 2015	<b>1,229.8</b>	<b>75.0</b>	<b>19.4</b>	<b>110.4</b>	<b>1,434.6</b>
Additions	–	–	–	<b>66.8</b>	<b>66.8</b>
Exchange adjustment	<b>6.3</b>	–	<b>2.4</b>	–	<b>8.7</b>
At 31 December 2015	<b>1,236.1</b>	<b>75.0</b>	<b>21.8</b>	<b>177.2</b>	<b>1,510.1</b>
<b>Amortisation and Impairment</b>					
At 1 January 2014	–	23.9	–	59.3	83.2
Amortisation for the year (Note 6)	–	8.7	1.8	15.7	26.2
Written off	–	–	–	(51.1)	(51.1)
At 31 December 2014 and 1 January 2015	–	<b>32.6</b>	<b>1.8</b>	<b>23.9</b>	<b>58.3</b>
Amortisation for the year (Note 6)	–	<b>8.7</b>	<b>2.5</b>	<b>26.4</b>	<b>37.6</b>
Impairment loss (Note 8)	<b>7.4</b>	–	–	–	<b>7.4</b>
Exchange adjustment	–	–	<b>0.5</b>	–	<b>0.5</b>
At 31 December 2015	<b>7.4</b>	<b>41.3</b>	<b>4.8</b>	<b>50.3</b>	<b>103.8</b>
<b>Net carrying amount</b>					
At 31 December 2015	<b>1,228.7</b>	<b>33.7</b>	<b>17.0</b>	<b>126.9</b>	<b>1,406.3</b>
At 31 December 2014	1,229.8	42.4	17.6	86.5	1,376.3

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

The carrying amount of goodwill allocated to the Heavy Industries Division is RM969.9 million (2014: RM971.7 million) with the remaining goodwill from other Divisions.

Goodwill is allocated for impairment testing purposes to the individual entity which is also the CGU. The recoverable amount is determined based on a value in use calculation using cash flow projections approved by the entity's board of directors covering three to five years. The projections reflect management expectation of revenue growth, operating cost and margins based on their recent experience. Discount rate applied to the cash flow projections are derived from the CGU's pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the CGU.

For Heavy Industries Division, pre-tax discount rates of 13.3% to 15.3% (2014: 14.5% to 15.5%) and a terminal growth rate of 2% (2014: 2%) have been applied in the value in use calculations.

For the remaining goodwill, the recoverable amounts were determined based on the value in use calculations using cash flow budgets approved by each entity's board of directors covering a three-year period. The appropriate pre-tax discount rates that reflect each entity's cost of borrowings, the expected rate of return and various risks were applied. Total impairment loss recognised in profit or loss for the year was RM7.4 million (2014: Nil) which is mainly due to the cessation of business of a Subsidiary.

Based on the sensitivity analysis performed, management believes that no reasonably possible change in base case key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

## 25. INVENTORIES

	Group	
	2015 RM Million	2014 RM Million
Raw materials and work in progress	128.4	108.3
Goods for resale	572.4	516.4
Estate produce	30.0	15.2
Completed properties	41.5	5.1
Consumable stores	40.5	44.8
	812.8	689.8

During the year, the amount of inventories recognised as an expense of the Group amounted to RM5,101.1 million (2014: RM6,572.2 million).

## NOTES TO THE FINANCIAL STATEMENTS

## 26. PROPERTY DEVELOPMENT IN PROGRESS

	Group	
	2015 RM Million	2014 RM Million
At 1 January		
- Freehold land, at cost	–	1.9
- Long leasehold land, at cost	12.4	6.8
- Development cost	314.6	121.6
	327.0	130.3
Cost recognised in profit or loss		
- At 1 January	(163.3)	(93.9)
- Recognised during the year	(258.4)	(231.9)
- Reversal of completed projects	170.2	162.5
	(251.5)	(163.3)
Transfer (to)/from		
- Development properties (Note 16)	54.1	229.5
- Inventories	(44.0)	(6.9)
- Reversal of completed projects	(170.2)	(162.5)
	(160.1)	60.1
Development cost incurred during the year	183.7	136.6
At 31 December	99.1	163.7
Interest cost capitalised during the year (Note 9)	8.0	9.1

## 27. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2015 RM Million	2014 RM Million
Ship repair and shipbuilding		
Aggregate cost incurred and recognised profit less recognised losses to date	6,240.1	5,475.7
Progress billings	(5,140.0)	(4,233.3)
	1,100.1	1,242.4
Presented as follows:		
Due from customers on contracts	1,216.1	1,312.8
Due to customers on contracts	(116.0)	(70.4)
	1,100.1	1,242.4

The cost incurred to date on construction contracts included the following charges made during the financial year:

	Group	
	2015 RM Million	2014 RM Million
Depreciation of property, plant and equipment (Note 13)	7.6	5.3
Interest expense (Note 9)	89.6	89.9
Operating leases:		
– Minimum lease payments for plant and equipment	4.6	0.6
– Minimum lease payments for land and buildings	4.3	3.9
Staff cost	21.4	18.5
Amount of contract revenue and contract cost recognised in profit or loss are as follows:		
Contract revenue	1,104.3	1,467.2
Contract cost	1,060.9	1,291.0

## NOTES TO THE FINANCIAL STATEMENTS

## 28. RECEIVABLES

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Trade receivables	948.2	851.5	–	–
Allowance for impairment	(60.8)	(51.8)	–	–
	887.4	799.7	–	–
Dividends receivable	–	–	53.9	3.7
Deposits	65.0	62.8	–	–
Prepayments	51.1	49.4	0.5	0.2
Income tax receivable	65.4	51.7	9.6	24.1
Advances paid to suppliers	48.6	28.4	–	–
Other receivables	98.6	67.6	16.3	19.0
Derivative assets (Note 40)	0.2	0.3	–	–
Amounts due from holding corporation	3.4	–	–	–
Amounts due from Subsidiaries	–	–	1,002.1	1,113.8
Amounts due from associates	123.8	115.1	1.6	1.6
Amounts due from joint ventures	37.2	40.5	10.2	–
Amounts due from other related companies	1.9	3.6	–	–
	1,382.6	1,219.1	1,094.2	1,162.4

The Group's normal trade credit terms range from payments in advance to 90 days. Other credit terms are assessed and approved on a case by case basis. Amounts due from Subsidiaries are unsecured, bear interest at a weighted average rate of 6.4% (2014: 6.2%) per annum and are repayable on demand. Amounts due from associates of RM119.3 million (2014: RM108.3 million) are unsecured, bear interest at a weighted average rate of 7.0% (2014: 7.0%) per annum and are repayable on demand. Amounts due from joint ventures of RM10.2 million (2014: Nil) are unsecured, bear interest at a weighted average rate of 6.0% (2014: Nil) per annum and are repayable on demand. The other amount due from holding corporation, associates, joint ventures and other related companies are trade balances which are unsecured and interest free, with repayment in accordance with normal trading terms.

Amounts due from Subsidiaries are stated at net of impairment of RM31.6 million (2014: RM0.1 million). During the year, additional allowance of RM31.5 million had been recognised in profit or loss, as disclosed in Note 6 to the financial statements.

## 28. RECEIVABLES (CONT'D.)

### Ageing analysis of trade receivables

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

	Group	
	2015 RM Million	2014 RM Million
Neither past due nor impaired	446.7	503.4
Past due but not impaired		
– Less than 30 days	197.3	110.8
– 31 to 60 days	64.9	38.4
– 61 to 90 days	27.8	33.5
– 91 to 120 days	54.4	19.5
– More than 120 days	94.8	85.7
	439.2	287.9
Impaired	62.3	60.2
	948.2	851.5

### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 86% (2014: 89%) of the Group's trade receivables arise from customers with more than 3 years of experience with the Group and insignificant losses noted.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM439.2 million (2014: RM287.9 million) that are past due at the reporting date but not impaired. Of these, RM11.4 million (2014: RM10.4 million) of trade receivables are secured by bank guarantees and deposits at the reporting date.

In addition, trade receivables due from Government of Malaysia and related agencies amounted to RM79.0 million (2014: RM29.1 million) at the reporting date.



## NOTES TO THE FINANCIAL STATEMENTS

**28. RECEIVABLES (CONT'D.)****Receivables that are impaired**

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	<b>Collectively impaired RM Million</b>	<b>Individually impaired RM Million</b>	<b>Total RM Million</b>
<b>Group – 2015</b>			
Trade receivables – nominal	<b>0.6</b>	<b>61.7</b>	<b>62.3</b>
Allowance for impairment	<b>(0.6)</b>	<b>(60.2)</b>	<b>(60.8)</b>
	<b>–</b>	<b>1.5</b>	<b>1.5</b>
<b>Group – 2014</b>			
Trade receivables – nominal	1.3	58.9	60.2
Allowance for impairment	(1.3)	(50.5)	(51.8)
	–	8.4	8.4

Movement in allowance accounts:

	<b>Group</b>	
	<b>2015 RM Million</b>	<b>2014 RM Million</b>
At 1 January	<b>51.8</b>	44.4
Impairment loss (Note 6)	<b>21.0</b>	15.7
Reversal of impairment loss (Note 6)	<b>(12.2)</b>	(3.9)
Written off	<b>–</b>	(3.8)
Exchange adjustment	<b>0.2</b>	(0.6)
At 31 December	<b>60.8</b>	51.8

Trade receivables that are individually impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

## 29. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Deposits with financial institutions	<b>932.9</b>	861.3	<b>1.5</b>	1.4
Cash held under Housing Development Accounts	<b>40.0</b>	56.5	–	–
Cash and bank balances	<b>365.2</b>	240.1	<b>64.4</b>	4.5
	<b>1,338.1</b>	1,157.9	<b>65.9</b>	5.9

The average maturity periods of the Group's fixed deposits with financial institutions are 22 days (2014: 24 days). Bank balances are monies placed in current accounts with licensed banks which do not earn any interest.

The amount of deposits placed with the financial institutions which are Government-related entities amounted to RM594.4 million (2014: RM555.7 million).

## 30. ASSETS CLASSIFIED AS HELD FOR SALE

The carrying amounts of major classes of assets for which disposals are expected to occur in the coming financial year as referred to in Note 44(d), Note 44(f) and Note 44(g) classified as held for sale on the consolidated statements of financial position as at 31 December 2015 are as follows:

	Group	
	2015 RM Million	2014 RM Million
Property, plant and equipment (Note 13)	<b>105.4</b>	–
Biological assets (Note 14)	<b>0.4</b>	–
	<b>105.8</b>	–

## NOTES TO THE FINANCIAL STATEMENTS

**31. SHARE CAPITAL**

	2015		2014	
	Million	RM Million	Million	RM Million
Ordinary shares of RM0.50 each Authorised	2,000	1,000	2,000	1,000
Issued and fully paid At 1 January and 31 December	1,034.2	517.1	1,034.2	517.1

**32. PERPETUAL SUKUK**

The Perpetual Sukuk is part of the Junior Islamic Medium Term Note Programme of up to RM1.2 billion in nominal value which was approved by the Securities Commission on 15 November 2013.

During the year, the Company issued the final tranche of Perpetual Sukuk at total par value of RM66.0 million, bringing the cumulative Perpetual Sukuk issued to RM1,200.0 million.

The salient features of the Perpetual Sukuk are as follows:

- (a) The Perpetual Sukuk is issued under the Islamic principle of Musharakah, while the principle of Commodity Musawamah will be employed to effect the deferral of the periodic distributions, if any.
- (b) Being perpetual in tenure, the Company has a call option to redeem the Perpetual Sukuk at the end of the 5th year and on each periodic distribution date thereafter.
- (c) The Company also has the option to redeem the Perpetual Sukuk if there is a change in accounting standards resulting in the Perpetual Sukuk no longer being recognised as an equity instrument.
- (d) The expected periodic distribution from issuance up to year 5 is about 6.1% to 6.25% per annum, 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 the 5th year, the periodic distribution increases by 1.5% per annum for the 6th year. For the 7th year onwards, the periodic distribution will be further increased by 1% per annum, subject to the maximum of 15% per annum.
- (f) Deferred periodic distribution, if any, will be cumulative but will not earn additional profits (i.e. there will be no compounding).
- (g) Payment obligations on the Perpetual Sukuk will, at all times, rank ahead of other equity instruments for the time being outstanding, but junior to the claims of present and future creditors of the Company (other than obligations ranking pari passu with the Perpetual Sukuk).
- (h) The Perpetual Sukuk is not rated.
- (i) The Perpetual Sukuk is unsecured.

### 33. RESERVES

	Non-distributable					
	Share premium RM Million	Revaluation and fair value reserves RM Million	Statutory and regulatory reserves RM Million	Other reserves RM Million	Retained earnings RM Million	Total RM Million
<b>Group</b>						
At 1 January 2014	1,165.1	48.2	295.9	155.9	2,372.8	4,037.9
Total comprehensive income for the year	–	0.8	–	2.2	408.2	411.2
<b>Transactions with owners</b>						
Changes in ownership interest in Subsidiaries						
- Partial disposal of a Subsidiary	–	–	–	(39.4)	49.5	10.1
- Issue of shares by Subsidiaries	–	–	–	316.1	(253.8)	62.3
- Additional investment in a Subsidiary	–	–	–	(0.1)	–	(0.1)
Share of effect on changes in group structure of an associate	–	–	–	–	2.1	2.1
Issuance cost of Perpetual Sukuk	–	–	–	–	(2.3)	(2.3)
Transfer during the year	–	–	45.8	–	(50.2)	(4.4)
Dividends (Note 12)	–	–	–	–	(294.8)	(294.8)
At 31 December 2014 and 1 January 2015	<b>1,165.1</b>	<b>49.0</b>	<b>341.7</b>	<b>434.7</b>	<b>2,231.5</b>	<b>4,222.0</b>
Total comprehensive income for the year	–	<b>5.2</b>	–	<b>2.9</b>	<b>13.2</b>	<b>21.3</b>
<b>Transactions with owners</b>						
Issuance cost of Perpetual Sukuk	–	–	–	–	(0.7)	(0.7)
Transfer during the year	–	–	<b>45.6</b>	–	(45.6)	–
Dividends (Note 12)	–	–	–	–	(217.1)	(217.1)
At 31 December 2015	<b>1,165.1</b>	<b>54.2</b>	<b>387.3</b>	<b>437.6</b>	<b>1,981.3</b>	<b>4,025.5</b>

## NOTES TO THE FINANCIAL STATEMENTS

**33. RESERVES (CONT'D.)****Non-distributable reserves**

The breakdown of the revaluation and fair value reserves is as follows:

	<b>Group</b>	
	<b>2015 RM Million</b>	<b>2014 RM Million</b>
Revaluation reserve	<b>41.6</b>	41.6
Fair value reserve	<b>12.6</b>	7.4
	<b>54.2</b>	49.0

The revaluation reserve represents increases in the fair value of freehold land and buildings, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

Fair value reserve represents the cumulative fair value changes, net of tax, of available for sale financial assets until they are disposed of or impaired.

The statutory and regulatory reserves are maintained by an associate in compliance with the provision of the Financial Services Act, 2012.

The other non-distributable reserves comprise mainly the Group's share of Subsidiaries' share premium arising from the issue of new shares to non-controlling interests.

### 34. BORROWINGS

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Non-current</b>				
Term loans				
- Denominated in US Dollar	61.1	57.0	-	-
- Denominated in Indonesian Rupiah	80.4	61.0	-	-
- Denominated in Great Britain Pound	82.0	72.3	-	-
- Denominated in Malaysian Ringgit	1,068.4	1,124.8	-	-
	1,291.9	1,315.1	-	-
Bank guaranteed medium term notes	922.8	921.7	922.8	921.7
Asset-backed bonds	757.6	896.9	-	-
	2,972.3	3,133.7	922.8	921.7
Repayable in 1 year	(796.7)	(937.7)	(409.1)	(512.7)
	2,175.6	2,196.0	513.7	409.0
<b>Current</b>				
Overdrafts	59.6	31.7	27.9	15.2
Bankers' acceptances				
- Denominated in Indonesian Rupiah	4.3	-	-	-
- Denominated in Malaysian Ringgit	144.4	175.9	-	-
Revolving credits				
- Denominated in US Dollar	48.9	39.9	-	-
- Denominated in Malaysian Ringgit	4,804.4	3,699.5	1,405.0	1,130.0
Short term loans	796.7	937.7	409.1	512.7
	5,858.3	4,884.7	1,842.0	1,657.9
Total borrowings	8,033.9	7,080.7	2,355.7	2,066.9

The bank guaranteed medium term notes (MTN) comprise seven series with maturity dates ranging from 2 years to 5 years from the date of issue. The MTN which are repayable on maturity, have a long term rating of AAA(bg) and bear interest at the weighted average effective interest rate of 5.8% (2014: 5.8%) per annum. The MTN have been accounted for in the statement of financial position of the Group and of the Company as follows:

	Group/Company	
	2015 RM Million	2014 RM Million
Nominal value	922.0	922.0
Accrued interest and transaction cost less payments and amortisation	0.8	(0.3)
Carrying amount	922.8	921.7



## NOTES TO THE FINANCIAL STATEMENTS

**34. BORROWINGS (CONT'D.)**

The asset-backed bonds (Bonds) comprise 3 classes (2014: 4 classes) of senior bonds which are rated AA2 and A1 and 3 classes of guaranteed bonds which are rated AAA(fg) and AA2(bg). The maturity dates of the Bonds range from 6 years to 7 years (2014: 3 years to 7 years) with the effective interest rate of 5.5% (2014: 5.3%) per annum. The senior bonds are secured by a debenture over the assets of the Subsidiary, a special purpose vehicle created for the Bonds issuance.

The Bonds have been accounted for in the statement of financial position of the Group as follows:

	<b>Group</b>	
	<b>2015 RM Million</b>	<b>2014 RM Million</b>
Nominal value	<b>900.0</b>	900.0
Accrued interest and transaction cost less payments and amortisation	<b>(2.4)</b>	(3.1)
Redemption during the year	<b>(140.0)</b>	–
Carrying amount	<b>757.6</b>	896.9

A Subsidiary has a term loan of RM540.8 million (2014: RM563.4 million) which is repayable within 4 years commencing from 27 April 2015. This Subsidiary also has revolving credits of RM1,175.9 million (2014: RM904.8 million) which are secured by way of an assignment on contract proceeds.

A Subsidiary has a term loan of RM171.0 million (2014: RM199.5 million) which is repayable over 20 half yearly instalments. The term loan is secured by five aircraft of the Subsidiary, proceeds account and the said Subsidiary's present and future rights, title, benefit and interest in and under the lease agreement of those aircraft.

A Subsidiary has a term loan and revolving credit denominated in US Dollar equivalent to RM6.6 million (2014: RM12.5 million) and RM49.0 million (2014: RM40.0 million) respectively which are secured against the vessels owned by the Subsidiary.

A Subsidiary has a term loan denominated in Great Britain Pound equivalent to RM82.0 million (2014: RM72.3 million) which is secured against a property owned by the Subsidiary.

All the other borrowings are unsecured. Other information on financial risks of the borrowings are disclosed in Note 39.

The amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM5,494.1 million (2014: RM5,263.2 million).

### 35. PAYABLES

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Non-current</b>				
Deposit from tenants	31.4	26.7	–	–
<b>Current</b>				
Trade payables	1,228.3	1,253.5	–	–
Accrued interest	33.8	34.1	3.7	2.2
Accrued expenses	200.8	185.7	–	–
Deposits received	84.9	74.1	1.8	1.8
Retention sum	5.3	7.4	–	–
Other payables	243.0	246.4	7.6	10.3
Amount due to holding corporation	3.0	0.9	–	–
Amounts due to Subsidiaries	–	–	57.1	103.1
Amounts due to associates	29.6	3.6	–	–
Amounts due to joint ventures	64.7	6.1	–	–
Amounts due to other related companies	0.1	1.0	–	–
	1,893.5	1,812.8	70.2	117.4

#### Trade payables

These amounts are non-interest bearing, with normal credit terms ranging from 30 to 90 days (2014: 30 to 90 days).

#### Amounts due to Subsidiaries

These amounts are unsecured, bear interest at a weighted average rate of 5.4% (2014: 4.1%) per annum and repayable on demand.

#### Amounts due to holding corporation, associates, joint ventures and other related companies

These are trade balances which are unsecured and interest free with repayment in accordance with normal trading terms.

## NOTES TO THE FINANCIAL STATEMENTS

**36. OPERATING LEASE OBLIGATION****Group as a lessee**

A Subsidiary has several non-cancellable operating lease agreements for the use of land and buildings. These leases have an average life of between 3 to 30 years with renewal option included in the contracts. In the financial year ended 31 December 1996, the Government of Malaysia and the Subsidiary finalised the lease agreement relating to the corporatisation of the Royal Malaysian Navy Dockyard, whereby the Subsidiary is granted a lease of 30 years from 1 September 1991 at a yearly rent of RM1 for the first five years, subject to revision thereafter.

The Group also has entered into other non-cancellable operating lease agreements for the use of land and buildings and equipment. These leases have an average lease period of between 1 to 5 years with renewal options included in the contracts.

The non-cancellable operating lease commitments arising from the above are as follows:

	<b>Group</b>	
	<b>2015 RM Million</b>	<b>2014 RM Million</b>
Within 1 year	<b>11.2</b>	8.9
Later than 1 year but not later than 5 years	<b>7.1</b>	7.3
Later than 5 years	<b>10.3</b>	11.4
	<b>28.6</b>	27.6

**Group as a lessor**

The Group entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one and three years. All leases include a clause to enable upward revision of the rental charge upon renewal of the leases based on prevailing market conditions. Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015 RM Million</b>	<b>2014 RM Million</b>	<b>2015 RM Million</b>	<b>2014 RM Million</b>
Within 1 year	<b>80.7</b>	69.4	<b>5.9</b>	6.2
Later than 1 year but not later than 5 years	<b>65.0</b>	90.5	<b>4.5</b>	6.6
	<b>145.7</b>	159.9	<b>10.4</b>	12.8

## 37. SEGMENTAL INFORMATION

For management purposes, the Group's business is organised based on the activities, products and services under the following six Divisions:

### (a) Plantation Division

The Division is primarily involved in the planting of oil palm and processing of crude palm oil. In addition, the Division through its associate, is also involved in the research in oil palm tissue culture and genetics.

### (b) Heavy Industries Division

The Division has its main thrust in the marine sector, both commercial and naval vessels. This Division's operations include shipbuilding, fabrication of offshore structures as well as the restoration and maintenance of vessels and defence related products. The Division is also involved in air transportation and flight services.

### (c) Property Division

The Division is in the business of property development, constructing and leasing out of commercial and retail properties as well as the owning and operating of hotels. These two segments are managed and reported internally as one segment, as they are regarded by management to exhibit similar economic characteristics.

### (d) Finance & Investment Division

The Division comprises the investing activity of the Group, in particular the Group's involvement in the commercial, Islamic and investment banking, stock broking as well as the life and general insurance business through an associate.

### (e) Pharmaceutical Division

The Division is in the business of manufacturing, trading and marketing of pharmaceutical products, research and development of pharmaceutical products and the supply of medical and hospital equipment.

### (f) Trading & Industrial Division

The Division is engaged in the owning and operating of the BHPetrol brand of retail petrol station network and the manufacture and trading of building materials. The Division also engages in engineering fabrication and trading of engineering equipment.

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 43 (a) and (b).

## NOTES TO THE FINANCIAL STATEMENTS

## 37. SEGMENTAL INFORMATION (CONT'D.)

	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma- ceutical RM Million	Trading & Industrial RM Million	Elimination RM Million	Total RM Million
<b>2015</b>								
<b>Revenue</b>								
Group total sales	615.2	1,422.3	665.2	196.5	2,189.3	3,595.3	(21.3)	8,662.5
Inter-segment sales	–	–	(16.2)	–	–	(5.1)	21.3	–
External sales	615.2	1,422.3	649.0	196.5	2,189.3	3,590.2	–	8,662.5
<b>Results</b>								
Segment result								
- External	60.2	(69.4)	144.7	(2.5)	118.1	61.7	–	312.8
Gain on disposal of plantation land	57.1	–	–	–	–	–	–	57.1
Interest income	14.5	6.1	10.7	69.9	1.1	1.9	(72.6)	31.6
Other investment result	–	(1.8)	67.9	12.5	–	(5.2)	–	73.4
Finance cost	(38.5)	(94.0)	(73.3)	(107.6)	(29.0)	(20.7)	72.6	(290.5)
Share of result of associates	1.8	–	(7.5)	71.9	–	–	–	66.2
Share of result of joint venture	–	22.3	(3.7)	–	–	–	–	18.6
Profit/(loss) before tax	95.1	(136.8)	138.8	44.2	90.2	37.7	–	269.2
Income tax expense								(129.8)
Profit for the year								139.4

### 37. SEGMENTAL INFORMATION (CONT'D.)

	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma- ceutical RM Million	Trading & Industrial RM Million	Elimination RM Million	Total RM Million
<b>2014</b>								
<b>Revenue</b>								
Group total sales	717.3	1,895.9	681.3	175.9	2,122.9	5,044.0	(29.1)	10,608.2
Inter-segment sales	–	–	(29.1)	–	–	–	29.1	–
External sales	717.3	1,895.9	652.2	175.9	2,122.9	5,044.0	–	10,608.2
<b>Results</b>								
Segment result								
– External	128.6	108.7	184.7	(2.2)	132.4	80.9	–	633.1
Interest income	11.3	3.6	11.8	69.4	1.3	6.3	(74.6)	29.1
Other investment results	–	(0.1)	80.6	7.2	–	8.4	–	96.1
Finance cost	(53.8)	(96.3)	(64.6)	(84.3)	(33.6)	(31.0)	74.6	(289.0)
Share of results of associates	3.7	–	(10.7)	120.3	–	–	–	113.3
Share of results of joint ventures	–	10.3	92.8	–	–	–	–	103.1
Profit before tax	89.8	26.2	294.6	110.4	100.1	64.6	–	685.7
Income tax expense								(152.4)
Profit for the year								533.3



## NOTES TO THE FINANCIAL STATEMENTS

**38. CONTINGENT LIABILITIES**

- (a) On 30 March 2011, Boustead Plantations Berhad (BPlant) and Boustead Pelita Kanowit Sdn Bhd (BPK) were named the 4th and 5th Defendants respectively in relation to a claim filed by 5 individuals suing on behalf of themselves and 163 other proprietors, occupiers and claimants of the Native Customary Rights lands (NCR) (Plaintiffs) situated in Sg Kelimut, Kanowit District, also known as Block D1 in Kanowit District, described as Kelimut Estate (NCR Lands) against Pelita Holdings Sdn Bhd (1st defendant), the Superintendent of Lands and Surveys, Sibu, Sarawak (2nd defendant) and the State Government of Sarawak (3rd defendant) for inter-alia, a declaration that the trust deed between the Plaintiffs and the 1st and 3rd Defendants are null and void, damages and costs.

On 30 April 2012, the Sibu High Court delivered its decision on the litigation, judging in favour of the Plaintiffs' claim and found Principal Deed dated 14 January 2002 executed between the 1st Defendant, the 3rd Defendant and the Plaintiffs in relation to the development of the NCR Lands is deemed null and void and the joint venture agreement dated 6 May 1998 between BPlant and the 1st Defendant as deemed null and void. In the same judgement, the Sibu High Court had dismissed BPlant's and BPK's counter claim against the Plaintiffs with costs. BPlant and BPK filed an appeal on 3 May 2012.

On 30 October 2012, the Sibu High Court granted BPlant's and BPK's application for Stay of Execution until after the full and final determination of their appeal. The Court of Appeal had on 6 August 2014, allowed the appeal by BPlant and other Defendants against the Plaintiffs and accordingly reverted the decision of the Sibu High Court dated 30 April 2012.

On 10 September 2015, the Federal Court heard the Plaintiffs' Notice of Appeal against the Court of Appeal's decision and delivered an unanimous decision to dismiss the Plaintiff's motion.

- (b) On 4 September 2012, the Group's Subsidiary Boustead Naval Shipyard Sdn Bhd (BN Shipyard) was served with a Writ of Summons by Ingat Kawan (M) Sdn Bhd (Plaintiff). The Plaintiff is claiming against BN Shipyard for unspecified general damages, special damages of RM50 million, interest at 10% per annum on the said amount of RM50 million calculated from 7 September 2011 until full settlement, interest at 8% per annum on the said amount of RM50 million calculated from the date of filing the Writ of Summons until full settlement, costs and other reliefs that the Court deems fit, arising from an alleged breach of contract by BN Shipyard. On 11 September 2012, BN Shipyard had 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 BN Shipyard's addition of the 5 co-defendants.

On 14 March 2013, the High Court allowed with cost BN Shipyard's application to strike out the Plaintiff's claims. Thus, on 1 April 2013, BN Shipyard withdrew its counterclaim against the Plaintiff, but with liberty to file afresh. On 22 March 2013, the Plaintiff filed a Notice of Appeal to the Court of Appeal. On 11 November 2013, the Court of Appeal allowed the Plaintiff's appeal and ordered the case to be tried at the High Court. The Court fixed the next case management on 21 March 2016 pending the availability of the Grounds of Judgement from the Court of Appeal.

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

As regards to the defamation action by the same Plaintiff and another person, the High Court had, on 30 November 2012, allowed BN Shipyard's application to strike out the Plaintiff's claims without liberty to file afresh. In view of this, the Plaintiff's will not have any recourse to revive this defamation suit against BN Shipyard.

### 38. CONTINGENT LIABILITIES (CONT'D.)

- (c) A customer of the Group's Subsidiary, Boustead Penang Shipyard Sdn Bhd (BPS) issued a notice of arbitration dated 7 December 2012 against BPS for alleged breach of contract, making a claim for USD4,935,000 together with interest and costs. BPS, in response, initiated a counterclaim against the customer for the sums of USD449,332 and RM9,535,994 together with interest and costs. The case is currently pending further directions from the Arbitration Tribunal on exchange of witness statements and expert witness statements. The discovery of document process is completed, with BPS's rights to further disclosure reserved. BPS is applying to amend its Defence and Counterclaim. The Arbitration Tribunal will fix further dates upon conclusion of this amendment process.
- (d) There is a claim by E\*Healthline.com Inc. (EHL) against Modern Industrial Investment Holding Group Company Ltd (Modern) and the Group's Subsidiary, Pharmaniaga Berhad (Pharmaniaga), relating to a non-binding Memorandum of Collaboration (MOC) which has lapsed.

EHL's claims are contested by Modern and Pharmaniaga (collectively known as Parties) because subsequent to expiry of the MOC neither Parties have entered into any agreement and/or arrangement with EHL.

- (e) The amount of bank guarantees issued by the Group to third parties are as follows:

	<b>Group</b>	
	<b>2015 RM Million</b>	<b>2014 RM Million</b>
Performance bonds in respect of contracts awarded to Subsidiaries		
– Government of Malaysia	<b>641.2</b>	635.7
– Other third parties	<b>83.4</b>	88.9
	<b>724.6</b>	724.6

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate, liquidity, credit, foreign exchange and market price risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders while minimising the potential adverse effects on the performance of the Group.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and Chief Financial Officer of the respective operating units. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use to hedge transaction exposure where appropriate and cost efficient. The Group and the Company do not apply hedge accounting.

#### Interest rate risk

The Group finances its operations through operating cash flows and borrowings which are principally denominated in Ringgit Malaysia. The Group's policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities.

## NOTES TO THE FINANCIAL STATEMENTS

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

The following tables set out the carrying amounts, the weighted average effective interest rate (WAEIR) as at the reporting date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	1 year or less RM Million	1 to 2 years RM Million	2 to 5 years RM Million	More than 5 years RM Million	Total RM Million
<b>Group</b>							
<b>At 31 December 2015</b>							
<b>Fixed rate</b>							
<b>Financial assets:</b>							
Deposits	29	3.0	932.9	–	–	–	932.9
<b>Financial liabilities:</b>							
Term loans	34	5.9	(82.9)	(79.4)	–	–	(162.3)
Bank guaranteed medium term notes	34	5.8	(409.1)	(513.7)	–	–	(922.8)
Asset-backed bonds	34	5.5	–	–	(757.6)	–	(757.6)
<b>Floating rate</b>							
<b>Financial assets:</b>							
Amount due from associates	28	7.0	119.3	–	–	–	119.3
Amount due from joint ventures	28	6.0	10.2	–	–	–	10.2
<b>Financial liabilities:</b>							
Terms loans	34	5.1	(304.7)	(243.5)	(577.8)	(3.6)	(1,129.6)
Overdrafts	34	7.8	(59.6)	–	–	–	(59.6)
Revolving credits	34	5.0	(4,853.3)	–	–	–	(4,853.3)
Bankers' acceptances	34	3.9	(148.7)	–	–	–	(148.7)
<b>At 31 December 2014</b>							
<b>Fixed rate</b>							
<b>Financial assets:</b>							
Deposits	29	3.0	861.3	–	–	–	861.3
<b>Financial liabilities:</b>							
Term loans	34	5.9	(64.6)	(70.1)	(8.6)	–	(143.3)
Bank guaranteed medium term notes	34	5.8	(512.7)	(409.0)	–	–	(921.7)
Asset-backed bonds	34	5.3	(140.0)	–	(756.9)	–	(896.9)
<b>Floating rate</b>							
<b>Financial assets:</b>							
Amount due from associates	28	7.0	108.3	–	–	–	108.3
<b>Financial liabilities:</b>							
Terms loans	34	5.0	(220.4)	(228.1)	(619.8)	(103.5)	(1,171.8)
Overdrafts	34	7.9	(31.7)	–	–	–	(31.7)
Revolving credits	34	4.8	(3,739.4)	–	–	–	(3,739.4)
Bankers' acceptances	34	4.0	(175.9)	–	–	–	(175.9)

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

#### Interest rate risk (cont'd.)

	Note	WAEIR %	1 year or less RM Million	1 to 2 years RM Million	2 to 5 years RM Million	Total RM Million
<b>Company</b>						
<b>At 31 December 2015</b>						
<b>Fixed rate</b>						
<b>Financial assets:</b>						
Deposits	29	3.2	1.5	–	–	1.5
<b>Financial liabilities:</b>						
Bank guaranteed medium term notes	34	5.8	(409.1)	(513.7)	–	(922.8)
<b>Floating rate</b>						
<b>Financial assets:</b>						
Amounts due from Subsidiaries	28	6.4	1,002.1	–	–	1,002.1
Amount due from joint ventures	28	6.0	10.2	–	–	10.2
<b>Financial liabilities:</b>						
Overdrafts	34	8.1	(27.9)	–	–	(27.9)
Revolving credits	34	4.9	(1,405.0)	–	–	(1,405.0)
Amounts due to Subsidiaries	35	5.4	(57.1)	–	–	(57.1)
<b>At 31 December 2014</b>						
<b>Fixed rate</b>						
<b>Financial assets:</b>						
Deposits	29	3.2	1.4	–	–	1.4
<b>Financial liabilities:</b>						
Bank guaranteed medium term notes	34	5.8	(512.7)	(409.0)	–	(921.7)
<b>Floating rate</b>						
<b>Financial assets:</b>						
Amounts due from Subsidiaries	28	6.2	1,113.8	–	–	1,113.8
<b>Financial liabilities:</b>						
Overdrafts	34	8.0	(15.2)	–	–	(15.2)
Revolving credits	34	4.8	(1,130.0)	–	–	(1,130.0)
Amounts due to Subsidiaries	35	4.1	(103.1)	–	–	(103.1)

## NOTES TO THE FINANCIAL STATEMENTS

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

Interest on borrowings that are subject to floating rates are contractually repriced within a year. Interest on financial instruments at fixed rates are fixed until the maturity of the instruments.

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM23.2 million and RM5.6 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate fixed deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

**Liquidity risk**

The Group practises prudent liquidity risk management by maintaining availability of funding through adequate amount of committed credit facilities.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Note	On demand or within 1 year RM Million	1 to 5 years RM Million	More than 5 years RM Million	Total RM Million
<b>Group</b>					
<b>2015</b>					
Borrowings	34	6,180.6	2,284.8	3.8	8,469.2
Trade and other payables	35	1,893.5	31.4	–	1,924.9
Dividend payable		62.0	–	–	62.0
Total undiscounted financial liabilities		8,136.1	2,316.2	3.8	10,456.1
<b>2014</b>					
Borrowings	34	5,128.3	2,152.5	108.8	7,389.6
Trade and other payables	35	1,812.8	26.7	–	1,839.5
Total undiscounted financial liabilities		6,941.1	2,179.2	108.8	9,229.1

### 39. 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
<b>Company</b>				
<b>2015</b>				
Borrowings	34	1,935.7	543.5	2,479.2
Trade and other payables	35	70.2	–	70.2
Dividend payable		62.0	–	62.0
Total undiscounted financial liabilities		2,067.9	543.5	2,611.4
<b>2014</b>				
Borrowings	34	1,743.5	432.3	2,175.8
Trade and other payables	35	117.4	–	117.4
Total undiscounted financial liabilities		1,860.9	432.3	2,293.2

#### 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 2015, the Group has a significant concentration of credit risk in the form of outstanding balance due from the Government of Malaysia, representing approximately 20.3% (2014: 15.7%) of the Group's total net trade receivables.

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 28. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are entered into or placed with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 28.

#### Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia. The Group's policy is to minimise the exposure of overseas operating Subsidiaries/activities to transaction risks by matching local currency income against local currency cost. The currency giving rise to this risk is primarily US Dollar, Euro and Great Britain Pound. Foreign exchange exposures are kept to an acceptable level.



## NOTES TO THE FINANCIAL STATEMENTS

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)****Foreign currency risk (cont'd.)**

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currency are as follows:

	Deposits, cash and bank balances RM Million	Receivables RM Million	Payables RM Million	Borrowings RM Million	Total RM Million
<b>Group</b>					
<b>At 31 December 2015</b>					
US Dollar	9.6	10.5	(65.9)	(110.1)	(155.9)
Euro	130.5	2.3	(51.8)	–	81.0
Great Britain Pound	1.7	95.0	(95.3)	(82.0)	(80.6)
Others	–	0.1	(0.3)	(0.1)	(0.3)
	<b>141.8</b>	<b>107.9</b>	<b>(213.3)</b>	<b>(192.2)</b>	<b>(155.8)</b>
<b>At 31 December 2014</b>					
US Dollar	0.9	13.5	(68.4)	(96.9)	(150.9)
Euro	29.0	–	(54.6)	–	(25.6)
Great Britain Pound	0.6	73.3	(82.7)	(72.3)	(81.1)
Others	–	–	(0.5)	–	(0.5)
	<b>30.5</b>	<b>86.8</b>	<b>(206.2)</b>	<b>(169.2)</b>	<b>(258.1)</b>

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in US Dollar, Euro and Great Britain Pound against the functional currency of the Group with all other variables held constant.

	<b>Group</b>	
	<b>2015 RM Million</b>	<b>2014 RM Million</b>
(Decrease)/increase of Group's profit, net of tax		
US Dollar/RM		
– Strengthened by 5%	(5.8)	(5.7)
– Weakened by 5%	5.8	5.7
Euro/RM		
– Strengthened by 5%	3.0	(1.0)
– Weakened by 5%	(3.0)	1.0
Great Britain Pound/RM		
– Strengthened by 5%	(3.0)	(3.0)
– Weakened by 5%	3.0	3.0

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

#### Market price risk

The Group is exposed to equity price risk arising from its investment in quoted available-for-sale equity instruments. All of the Group's quoted equity instruments are listed on Bursa Malaysia. These instruments are classified as financial assets. At the reporting date, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the impact to the Group's other reserve in equity would be insignificant.

#### Financial instruments by category

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Financial assets - loans and receivables</b>				
Receivables	1,217.3	1,089.3	1,084.1	1,138.1
Deposit, cash and bank balances	1,338.1	1,157.9	65.9	5.9
<b>Financial liabilities - liabilities at amortised cost</b>				
Payables	1,924.9	1,839.5	70.2	117.4
Dividend payable	62.0	—	62.0	—
Borrowings	8,033.9	7,080.7	2,355.7	2,066.9

### 40. FAIR VALUE MEASUREMENTS

#### Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	28
Amount due from holding corporation	28
Amounts due from Subsidiaries	28
Amounts due from associates	28
Amounts due from joint ventures	28
Amounts due from other related companies	28
Borrowings (current)	34
Trade and other payables (current)	35
Other payables (non-current)	35
Amounts due to holding corporation	35
Amounts due to Subsidiaries	35
Amounts due to associates	35
Amounts due to joint ventures	35
Amounts due to other related companies	35

## NOTES TO THE FINANCIAL STATEMENTS

**40. FAIR VALUE MEASUREMENTS (CONT'D.)****Determination of fair value (cont'd.)**

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of the current portion of borrowings is a reasonable approximation of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The fair values of amounts due from/to Subsidiaries, amounts due from/to associates and joint ventures and fixed rate bank borrowings are estimated by discounting the expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The fair value of quoted equity instruments is determined directly by reference to their published market closing price at the reporting date.

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates.

Unquoted investments in Subsidiaries, associates and joint ventures are not carried at fair value due to the lack of quoted market price and the impracticality to estimate the fair value without incurring excessive cost.

Investment properties are measured at fair value using valuation reports prepared by independent professional valuers on an open market approach. The assumptions used in arriving at the investment properties' values take into consideration the property type, size, location, tenure, title restrictions and other relevant characteristics. Significant increase/(decrease) in estimated market value per square foot in isolation, would result in a significantly higher/(lower) fair value of the properties.

#### 40. FAIR VALUE MEASUREMENTS (CONT'D.)

##### Fair value hierarchy

Presented below is the Group's and the Company's classified assets and liabilities carried at fair value analysed by fair value measurement hierarchy:

	Level 1 RM Million	Level 2 RM Million	Level 3 RM Million	Total RM Million
<b>Group</b>				
<b>2015</b>				
<b>Assets</b>				
Investments	33.1	–	–	33.1
Investment properties	–	–	1,460.6	1,460.6
Forward currency contracts	–	0.2	–	0.2
	33.1	0.2	1,460.6	1,493.9
<b>2014</b>				
<b>Assets</b>				
Investments	38.2	–	–	38.2
Investment properties	–	–	1,500.4	1,500.4
Forward currency contracts	–	0.3	–	0.3
	38.2	0.3	1,500.4	1,538.9
<b>Company</b>				
<b>2015</b>				
<b>Assets</b>				
Investments	5.2	–	–	5.2
Investment properties	–	–	100.8	100.8
	5.2	–	100.8	106.0
<b>2014</b>				
<b>Assets</b>				
Investments	5.6	–	–	5.6
Investment properties	–	–	87.9	87.9
	5.6	–	87.9	93.5

The Group and the Company do not have any financial liabilities measured at Level 3 hierarchy.

## NOTES TO THE FINANCIAL STATEMENTS

## 40. FAIR VALUE MEASUREMENTS (CONT'D.)

## Derivatives

	2015		2014	
	Contract/ notional amount RM Million	Fair value of derivatives RM Million	Contract/ notional amount RM Million	Fair value of derivatives RM Million
<b>Group</b>				
<b>Current</b>				
<b>Derivative assets (Note 28)</b>				
Forward currency contracts	116.9	0.2	145.5	0.3

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for period consistent with currency transaction exposure and fair value changes exposure. The Group does not apply hedge accounting.

Forward currency contracts are used to hedge the Group's purchases denominated in US Dollar for which firm commitments existed at the reporting date.

As disclosed in Note 6 to the financial statements, the Group recognised a gain of RM34.6 million (2014: RM0.2 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.

## Borrowings

	2015		2014	
	Carrying amount RM Million	Fair value of borrowings RM Million	Carrying amount RM Million	Fair value of borrowings RM Million
<b>Group</b>				
<b>Non-current borrowings (Note 34)</b>				
Term loans	904.3	904.3	1,030.1	1,030.1
Bank guaranteed medium term notes	513.7	502.3	409.0	398.5
Asset-backed bonds	757.6	752.0	756.9	755.5
	2,175.6	2,158.6	2,196.0	2,184.1
<b>Company</b>				
<b>Non-current borrowings (Note 34)</b>				
Bank guaranteed medium term notes	513.7	502.3	409.0	398.5

#### 41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder 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 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 34) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 34) over the aggregate of the equity held by shareholders and non-controlling interests is 1.09 times (2014: 0.94 times). The Group's policy is to keep gearing within manageable levels.

With respect to banking facilities that the Group has with certain financial institutions, the Group is committed to ensure that the maximum gearing ratio limit of 1.5 times is complied with at all times.

#### 42. COMMITMENTS

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Authorised and contracted</b>				
Capital expenditure	258.5	280.4	–	1.6
Proposed acquisition of a Subsidiary	–	4.0	–	4.0
Share of joint venture's capital commitment in relation to investment properties	326.1	384.1	–	–
	584.6	668.5	–	5.6
<b>Authorised but not contracted</b>				
Capital expenditure	784.9	486.5	4.8	0.7
Proposed acquisition of a Subsidiary	3.5	–	–	–
	788.4	486.5	4.8	0.7

**43. SIGNIFICANT RELATED PARTY DISCLOSURES**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence.

Related parties may be individuals or other entities. Related parties of the Group include:

- direct and indirect Subsidiaries;
- holding corporation, Lembaga Tabung Angkatan Tentera (LTAT) and its subsidiaries, direct and indirect associates;
- direct and indirect associates and joint ventures;
- key management personnel which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and
- firms in which Directors have a substantial interest, namely MAA Arkitek and Azzat & Izzat, being firms in which the Company's Directors Dato' Ghazali Mohd Ali and Datuk Azzat Kamaludin respectively have a substantial interest.



#### 43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
<b>Associates and joint ventures</b>				
Agricultural research and advisory services paid	13.9	11.1	–	–
Insurance premium paid	24.1	23.1	–	–
Rental income on office premises	20.4	19.2	–	–
Sales of goods	0.2	0.1	–	–
Professional fees paid	1.5	2.4	1.4	2.2
Insurance commission received	3.8	3.3	–	–
Rendering of services	62.8	63.3	–	–
Provision of project management services	0.5	–	–	–
Rental expense				
– Hotel	12.4	–	–	–
– Office premises	0.7	–	–	–
<b>Holding corporation</b>				
Provision of project management services	1.2	0.5	–	–
<b>Subsidiaries of holding corporation</b>				
Sales of goods	43.6	42.7	–	–
Provision of project management services	–	0.5	–	–
Rental expense				
– Hotel	–	12.4	–	–
– Office premises	–	0.7	–	–
Provision of construction works	–	0.4	–	–
<b>Firms in which Directors have a substantial interest</b>				
Legal and professional fees paid	9.7	7.6	–	–
<b>Government-related financial institutions</b>				
Interest income	13.0	9.5	0.4	1.1
Finance cost	288.6	251.5	80.4	75.7

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

**43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)**

The remuneration of key management personnel during the financial year is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM Million</b>	<b>RM Million</b>	<b>RM Million</b>	<b>RM Million</b>
<b>Directors</b>				
Fees	<b>1.2</b>	1.2	<b>0.5</b>	0.4
Remuneration	<b>4.6</b>	4.2	<b>3.0</b>	2.9
Defined contribution plans	<b>0.7</b>	0.6	<b>0.4</b>	0.4
Meeting allowances	<b>0.1</b>	0.2	<b>–</b>	–
Estimated monetary value of benefits-in-kind	<b>0.7</b>	0.3	<b>0.6</b>	0.1
	<b>7.3</b>	6.5	<b>4.5</b>	3.8
<b>Other key management personnel</b>				
Short term employee benefits	<b>51.5</b>	45.7	<b>6.4</b>	5.6
Defined contribution plans	<b>6.4</b>	5.5	<b>1.0</b>	0.8
	<b>57.9</b>	51.2	<b>7.4</b>	6.4
Total paid to key management personnel	<b>65.2</b>	57.7	<b>11.9</b>	10.2

The Group is a Government-related entity by virtue of its relationship with Lembaga Tabung Angkatan Tentera, the ultimate holding corporation of the Group.

The significant transactions with the Government of Malaysia are as follows:

- (a) On 7 September 2012, a Subsidiary received a letter of award from the Ministry of Defence (MINDEF) to supply and deliver spare parts, maintenance services and training for the 23rd frigate squadron of the Royal Malaysian Navy at a contract value of RM70 million for a period of 3 years from the date of acceptance of the award. The aggregate revenue recognised for the year ended 31 December 2015 amounted to RM16 million (2014: RM13 million).

On 16 December 2011, the Subsidiary received a letter of award from MINDEF to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of 'Second Generation Patrol Vessels Littoral Combat Ship (Frigate Class)' (LCS) at a contract value of RM9 billion. The aggregate revenue recognised under the letter of award for the year ended 31 December 2015 amounted to RM861 million (2014: RM999 million).

On 2 December 2009, the Subsidiary signed a contract with MINDEF to provide Service Life Extension Programme for Kasturi Class Corvettes (KD Kasturi and KD Lekir) a contract sum of RM704 million. During the year, no revenue was recognised from the contract (2014: RM132 million).

#### 43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

- (b) On 16 March 2011, a Subsidiary entered into a Concession Agreement with the Government of Malaysia represented by the Ministry of Health Malaysia (MOH) for a period of ten years expiring on 30 November 2019 for the right and authority to purchase, store, supply and distribute the Approved Products (drugs and non-drugs approved by MOH) to the Public Sector Customers such as government hospital, health office, health clinic, dental clinic or any health institution or other similar facility within Malaysia which is operated and controlled by MOH and as determined by MOH from time to time. The aggregate revenue recognised for the year amounted to RM1,584 million (2014: RM1,618 million).

#### 44. SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) During the year, the Company completed the RM1.2 billion Junior Islamic Medium Term Note Programme, upon issuance of the final tranche of Junior Sukuk Musharakah (Perpetual Sukuk) with a nominal value of RM66.0 million in April 2015.
- (b) On 6 August 2014, the Company entered into a conditional shares sale agreement (SSA) with the shareholders (Vendors) of PFC Engineering Sdn Bhd (PFCE) in relation to the acquisition of 8,000,000 ordinary shares of RM1.00 each representing 80% of the issued and paid up share capital of PFCE for a cash consideration of RM20 million.

On 15 March 2015, the Company and the Vendors mutually agreed not to further extend the period to fulfil the Conditions Precedent of the SSA. Accordingly, the SSA in relation to the Acquisition is deemed rescinded, terminated and completely discharged pursuant to the terms of the SSA.

- (c) On 6 March 2015, the Company announced its intention to subscribe for 60,000,000 new ordinary shares of RM1.00 each (Irat Shares) representing 50% of the issued and paid-up share capital of Irat Properties Sdn Bhd (Irat) for a cash consideration of RM127.8 million or RM2.13 per share. The Proposed Subscription (First Subscription) was duly completed on 14 April 2015.

In addition to the First Subscription, the Company had on 14 April 2015 subscribed for an additional 33,333,333 new Irat Shares at the issue price of RM2.13 per share, for a cash consideration of RM71.0 million (Second Subscription).

Subsequent to the First Subscription and the Second Subscription, the Company had on 28 April 2015 further subscribed for 24,037,559 new Irat Shares at the issue price of RM2.13 per share, for a cash consideration of RM51.2 million.

## NOTES TO THE FINANCIAL STATEMENTS

**44. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)**

(d) CIMB Islamic Trustee Berhad (CIMB Trustee), acting solely in the capacity of trustee for Boustead Plantations Berhad (BPB) and its wholly owned Subsidiary, Boustead Sungai Manar Sdn Bhd collectively entered into the following sales and purchase agreements (SPA) with various parties for disposals of 351.7 hectares (Ha) of freehold lands in Mukim Kulai, District of Kulaijaya, State of Johor for cash consideration of RM203.9 million:

- (i) disposal of 56.3 Ha to Seng Hong Quarry Sdn Bhd (SHQ) for cash consideration of RM29.1 million on 20 May 2015;
- (ii) disposal of 31.9 Ha to Bentara Gemilang Industries Sdn Bhd (BGI) for cash consideration of RM19.9 million on 19 May 2015;
- (iii) disposal of 57.0 Ha to Sanggul Suria Sdn Bhd (SSSB) for cash consideration of RM12.3 million on 15 June 2015;
- (iv) disposal of 102.1 Ha to Hanson Quarry Products (Segamat) Sdn Bhd (HQP) for cash consideration of RM81.9 million on 15 June 2015; and
- (v) disposal of 104.4 Ha to YTL Cement Berhad (YTL) for cash consideration of RM60.7 million on 8 September 2015.

The disposals to SHQ and BGI were completed on 17 June 2015 and a gain on disposal of RM39.5 million was recognised during the current financial year. The disposal of 33.3 Ha to YTL was completed on 23 September 2015 and a gain on disposal of RM17.6 million was recognised in the year under review.

Deposit amounting to RM22.0 million have been received in respect of disposal to SSSB, HQP and YTL. As at the date of this report, the conditions precedent in respect of these SPAs have yet to be met.

- (e) On 28 August 2015, the Group's Subsidiary Pharmaniaga Berhad entered into a conditional share purchase agreement (Share SPA) with Dato' Dr Kattayat Mohandas A/L C P Narayana (Vendor) for the acquisition of 1,400,000 ordinary shares of RM1.00 each representing 70% of the total issued and paid up shares capital in Bio-Collagen Technologies Sdn Bhd (BCTSB) for a cash consideration of RM3.5 million.

The completion of the proposed acquisition of BCTSB is pending fulfilment of conditions precedent by the Vendor.

- (f) On 17 December 2015, the Group's Subsidiary Johan Ceramics Berhad (JCB) had entered into a conditional sale and purchase agreement (SPA) with Kim Hin Ceramic (Seremban) Sdn Bhd (Purchaser) for the proposed disposal of Property and Assets (including Trademark assignment) of JCB for a cash consideration of RM28.0 million. Approval of the shareholders of JCB was duly obtained at an extraordinary general meeting held on 4 February 2016.

The proposed disposal which is expected to complete in the first quarter of 2016 is subject to the approvals of the shareholders of the Purchaser, and other relevant authorities.

#### 44. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

- (g) On 23 December 2015, wholly owned Subsidiaries of Boustead Heavy Industries Corporation Berhad namely BHIC Marine Carriers Sdn Bhd , BHIC Marine Ventures Sdn Bhd and BHIC Marine Transport Sdn Bhd entered into Memoranda of Agreement with Jasa Merin (Labuan) PLC for sale of the three chemical tankers, MT CHULAN 1, MT CHULAN 2 and MT CHULAN 3. The proposed disposal of these chemical tankers for the aggregate cash consideration of USD17.1 million is expected to complete during the first quarter of 2016.
- (h) On 29 December 2015, Bakti Wira Development Sdn Bhd (BWSB), a wholly-owned Subsidiary of the Group, entered into a conditional share sale agreement with Cascara Sdn Bhd (Cascara) for the proposed disposal of BWSB's entire 30% stake in Jendela Hikmat Sdn Bhd (JHSB) comprising 12,600,000 ordinary shares of RM1.00 each in JHSB for a cash consideration of RM180.0 million (Proposed Disposal).

Concurrent with the Proposed Disposal, Lembaga Tabung Angkatan Tentera (LTAT), the Company's parent company, had on 29 December 2015 executed a share sale agreement with Cascara for the disposal of its 30% equity interest in JHSB for a cash consideration of RM180.0 million (LTAT Disposal).

The Proposed Disposal and the LTAT Disposal are inter-conditional upon each other. In this connection, the completion of the Group's Proposed Disposal is not subject to the completion of the LTAT Disposal and vice-versa.

The Proposed Disposal is subject to the approval of the Company's shareholders at an extraordinary general meeting to be convened.

- (i) On 18 January 2016, the Company announced its intention to undertake the following proposals:
- (i) Proposed Rights Issue of up to 413,671,222 ordinary shares of RM0.50 each (Right Shares), on the basis of 2 Right Shares for every 5 existing shares held on the entitlement date to be determined later.
  - (ii) Proposed Bonus Issue of ordinary shares of RM0.50 each (Bonus Shares), on the basis of 2 Bonus Shares for every 5 existing shares held after the completion of the Proposed Rights Issue.
  - (iii) Proposed increase of authorised share capital to RM2 billion comprising 4 billion ordinary shares of RM0.50 each.

The above proposals which are expected to complete during the third quarter of 2016 are subject to the approvals of Bursa Securities and the Company's shareholders at an extraordinary general meeting to be convened.

## NOTES TO THE FINANCIAL STATEMENTS

**45. ACQUISITION OF SUBSIDIARY**

The fair value of the assets acquired and liabilities assumed upon the acquisition of PT Errita Pharma in the previous year are as follows:

	<b>Group</b>
	<b>2014</b>
	<b>RM Million</b>
Net assets acquired:	
Property, plant and equipment (Note 13)	(14.7)
Prepaid land lease payments (Note 17)	(1.5)
Intangible assets (Note 24)	(67.7)
Current assets	(5.2)
Other current liabilities	1.1
Deferred tax liabilities (Note 19)	5.6
Non-controlling interest	8.4
Purchase consideration	(74.0)
Deposit paid during the previous year	4.5
Cash and cash equivalents acquired	0.3
Net cash outflow on acquisition	(69.2)

#### 46. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained earnings of the Group and of the Company into realised and unrealised profit, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements are as follows:

	Group		Company	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Total retained earnings of the Company and Subsidiaries				
- Realised	<b>2,191.2</b>	2,679.4	<b>1.2</b>	111.2
- Unrealised	<b>441.9</b>	367.2	<b>42.8</b>	30.5
	<b>2,633.1</b>	3,046.6	<b>44.0</b>	141.7
Total share of retained earnings of associates and joint ventures				
- Realised	<b>813.5</b>	761.6	-	-
- Unrealised	<b>183.8</b>	173.9	-	-
	<b>997.3</b>	935.5	-	-
Consolidation adjustments	<b>3,630.4</b> <b>(1,649.1)</b>	3,982.1 (1,750.6)	<b>44.0</b> -	141.7 -
	<b>1,981.3</b>	2,231.5	<b>44.0</b>	141.7

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.



# BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2015	% 2014
As at 31 December 2015				
SUBSIDIARIES				
Boustead Properties Berhad	Investment holding and property investment	RM255,199,031	100	100
Boustead Plantations Berhad	Investment holding and oil palm cultivation	RM800,000,000	57	57
Pharmaniaga Berhad**	Investment holding	RM129,441,366	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	RM229,967,000	42	42
UAC Berhad	Manufacture of fibre cement products and property investment	RM1,000,000	100	100
Boustead Segaria Sdn Bhd	Investment holding	RM18,000,520	100	100
Boustead Credit Sdn Bhd	Hire purchase and lease financing	RM15,000,000	100	100
Boustead Engineering Sdn Bhd	Engineering equipment and chemicals distributor	RM8,000,000	100	100
Boustead Global Trade Network Sdn Bhd	Insurance agent	RM3,000,000	100	100
Boustead Weld Quay Sdn Bhd	Property investment and hotel operations	RM100,000,000	100	100
Boustead Travel Services Sdn Bhd	Travel agent	RM5,500,000	100	100
Boustead Management Services Sdn Bhd	Management services	RM3,000,000	100	100
Boustead Information Technology Sdn Bhd	Computer services	RM1,000,000	100	100
Boustead Construction Sdn Bhd	Project management	RM1,000,000	100	100
Mutiara Rini Sdn Bhd	Property developer	RM75,000,000	100	100
U.K. Realty Sdn Bhd	Property developer	RM40,000,000	100	100
Boustead Balau Sdn Bhd	Property developer	RM30,000,000	100	100

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2015	% 2014
As at 31 December 2015				
Boustead Curve Sdn Bhd	Property investment	RM150,000,000	100	100
Damansara Entertainment Centre Sdn Bhd	Property investment	RM60,000,000	100	100
Boustead Hotels & Resorts Sdn Bhd	Hotel operations	RM75,000,000	100	100
Boustead Realty Sdn Bhd	Property investment	RM100,000,000	100	100
Boustead Weld Court Sdn Bhd	Property investment	RM20,000,000	100	100
Nam Seng Bee Hoon Sdn Bhd	Property investment	RM20,000,000	100	100
Mecuro Properties Sdn Bhd	Property investment	RM2	100	100
Boustead Shipping Agencies Sdn Bhd	Shipping agent	RM5,000,000	100	100
AB Shipping Sdn Bhd	Shipbroker	RM45,000	100	100
Boustead Cruise Centre Sdn Bhd	Provision of port facilities and services to cruise and navy vessels	RM50,000,000	100	100
Boustead Hyde Park Ltd <sup>&amp;</sup>	Hotel operations	–	100	100
Boustead Building Materials Sdn Bhd	Building products distributor and project management	RM50,000,000	100	100
Boustead DCP Sdn Bhd	Manufacture of chilled water	RM12,000,000	100	100
Bakti Wira Development Sdn Bhd	Investment holding	RM75,000	100	100
Boustead Sissons Paints Sdn Bhd	Paint manufacturer	RM22,663,000	100	100
Cargo Freight Shipping Sdn Bhd	Shipping agent	RM186,000	100	100
Midas Mayang Sdn Bhd	Property investment	RM10,000,000	80	80
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM154,960,000	66	66
Astacanggih Sdn Bhd	Investment holding	RM20,000,000	80	80
Boustead Rimba Nilai Sdn Bhd	Cultivation and processing of oil palm	RM100,000,000	57	57
Boustead Emastulin Sdn Bhd	Cultivation and processing of oil palm	RM17,000,000	57	57

## BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2015	% 2014
As at 31 December 2015				
SUBSIDIARIES (CONT'D.)				
Boustead Eldred Sdn Bhd	Oil palm cultivation	RM15,000,000	57	57
Boustead Trunkline Sdn Bhd	Oil palm cultivation	RM7,000,000	57	57
Boustead Gradient Sdn Bhd	Cultivation and processing of oil palm	RM3,000,000	57	57
Boustead Estates Agency Sdn Bhd	Plantation management and engineering consultancy	RM1,050,000	57	57
Boustead Sungai Manar Sdn Bhd	Property investment	RM4,500,000	57	57
Boustead Telok Sengat Sdn Bhd	Cultivation and processing of oil palm	RM9,184,000	57	57
Boustead Solandra Sdn Bhd	Oil palm cultivation	RM200,000	57	57
Boustead Sedili Sdn Bhd	Oil palm cultivation	RM6,150,000	40	40
Boustead Pelita Kanowit Oil Mill Sdn Bhd	Processing of oil palm	RM30,000,000	34	34
Boustead Pelita Kanowit Sdn Bhd	Cultivation of oil palm	RM34,560,000	34	34
Boustead Pelita Tinjar Sdn Bhd	Cultivation and processing of oil palm	RM48,000,000	34	34
Pharmaniaga Manufacturing Berhad**	Manufacture of pharmaceutical products	RM10,000,000	56	56
Pharmaniaga Logistics Sdn Bhd**	Procurement and distribution of pharmaceutical and medical products	RM40,000,000	56	56
Pharmaniaga Marketing Sdn Bhd**	Marketing of pharmaceutical products	RM3,000,000	56	56
Pharmaniaga LifeScience Sdn Bhd**	Manufacture of pharmaceutical products	RM75,000,000	56	56
Pharmaniaga Research Centre Sdn Bhd**	Pharmaceutical research & development	RM100,000	56	56
Pharmaniaga Biomedical Sdn Bhd**	Supply & installation of medical and hospital equipment	RM8,000,000	56	56
Idaman Pharma Manufacturing Sdn Bhd**	Manufacture of pharmaceutical products	RM25,000,000	56	56
Pharmaniaga Pristine Sdn Bhd**	Retail pharmaceutical	RM20,000,050	56	56
Pharmaniaga International Corporation Sdn Bhd**	Investment holding	RM12,000,000	56	56

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2015	% 2014
As at 31 December 2015				
PT Errita Pharma**+	Manufacture and sale of pharmaceutical products in Indonesia	Rp95,832,000,000	42	42
PT Millennium Pharmacon International Tbk**+	Distribution of pharmaceutical & diagnostic products and food supplements	Rp72,800,000,000	31	31
PT Mega Pharmaniaga**+	Trading and marketing of pharmaceutical and medical products in Indonesia	Rp11,372,400,000	53	53
UAC Steel Systems Sdn Bhd	Manufacture, sale and installation of steel roof truss systems	RM1,860,000	100	100
Boustead Penang Shipyard Sdn Bhd	Heavy engineering construction, ship repair and shipbuilding	RM350,000,000	65	65
Perstim Industries Sdn Bhd	Investment holding	RM51,155,724	65	65
BHIC Marine Carrier 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
Naval and Defence Communication System Sdn Bhd	Provision for maintenance and services of telecommunication systems	RM100,000	65	65
BHIC Navaltech Sdn Bhd	In-service support for the maintenance, services and supply of spare parts for vessels	RM1,000,000	65	65
BHIC Electronics and Technologies Sdn Bhd	Provision of maintenance and services for defence weapons and related products	RM2,329,897	65	65

## BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2015	% 2014
As at 31 December 2015				
SUBSIDIARIES (CONT'D.)				
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 (formerly known as Integrated Navigation and Defence Systems Sdn Bhd)	Provision of maintenance and service of submarines	RM500,000	65	65
Boustead Langkawi Shipyard Sdn Bhd	Construction, repair and maintenance of boats and yachts	RM100,000,000	82	82
Boustead Petroleum Sdn Bhd	Investment holding	RM118,329,300	60	60
MHS Aviation Berhad	Provision of air transportation, flight support, engineering and technical services	RM20,000,000	51	51
MHS Assets Sdn Bhd	Leasing of aircraft	RM10,000,000	51	51
Boustead Atlas Hall Sdn Bhd	Oil and gas engineering agency	RM3,265,306	51	51
Boustead Idaman Sdn Bhd	Dormant	RM13,000,000	100	100
Johan Ceramics Berhad	Ceased operation	RM84,898,510	98	98
Bounty Crop Sdn Bhd	Ceased operation	RM70,200,000	57	57
Boustead Advisory and Consultancy Services Sdn Bhd	Ceased operation	RM500,002	57	57
ASSOCIATES				
Pavilion Entertainment Centre (M) Sdn Bhd	Property development	RM3,000,000	50	50
Drew Ameroid (Malaysia) Sdn Bhd	Industrial chemicals distributor	RM20,000	50	50
Boustead Wah Seong Sdn Bhd	Investment holding	RM1,000,000	50	50
Wah Seong Boustead Co Ltd^	Consumer and building products distributor	Kyat2,760,000	50	50

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2015	% 2014
As at 31 December 2015				
ASSOCIATES (CONT'D.)				
Kao (Malaysia) Sdn Bhd	Toiletries, household products distributor	RM16,000,000	45	45
Applied Agricultural Resources Sdn Bhd	Agricultural research and advisory services	RM500,000	29	29
Cadbury Confectionery Malaysia Sdn Bhd	Chocolate and sugar confectionery manufacturer	RM8,185,000	25	25
Affin Holdings Berhad	Financial services group	RM1,942,948,547	21	21
Jendela Hikmat Sdn Bhd	Property development	RM42,000,000	30	30
Rakan Riang Sdn Bhd	Operating education and entertainment facilities	RM30,600,000	20	20
Rakan Riang Pte Ltd#	Operating education and entertainment facilities	S\$24,000,000	20	20
JOINT VENTURES				
Irat Properties Sdn Bhd	Property investment and operator of automated traffic enforcement system	RM184,741,784	50	–
Boustead Ikano Sdn Bhd	Property investment	RM400,000,000	50	50
BHIC MSM Sdn Bhd	Provision for maintenance and repair of MTU products	RM1,000,000	39	39
Boustead DCNS Naval Corporation Sdn Bhd	Vessel maintenance	RM10,000,000	39	39
Contraves Advanced Devices Sdn Bhd	Manufacture of electronic products	RM5,000,000	33	33
BYO Marine Sdn Bhd	Construction of vessels	RM100	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

\* Incorporated in Malaysia unless otherwise indicated

\*\* Subsidiaries not audited by Ernst & Young

+ Incorporated in Indonesia

^ Incorporated in Myanmar

# Incorporated in Singapore

& Incorporated in British Virgin Island

# RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 6 April 2015, 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 2015 pursuant to the Shareholders' Mandate are disclosed as follows:

Related party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Naval Shipyard Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Ship building and ship repair works provided to Boustead Heavy Industries Corporation Berhad	0.5
	Dato' Ghazali Mohd Ali	Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	2.2
	Datuk Azzat Kamaludin	Premise rental paid by Boustead Heavy Industries Corporation Berhad	3.0
	LTAT	Provision of computer service from Boustead Information Technology Sdn Bhd	0.3
		Provision of construction works to Boustead Heavy Industries Corporation Berhad	0.5
Boustead Heavy Industries Corporation Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Sale of equipment and machinery for ship related activities to Boustead Naval Shipyard Sdn Bhd	0.6
	Dato' Ghazali Mohd Ali	Ship building and ship repair works provided to Boustead Naval Shipyard Sdn Bhd	153.0
	Datuk Azzat Kamaludin	Premise rental paid by Boustead Naval Shipyard Sdn Bhd	1.3
	LTAT	Office rental at Menara Boustead, Penang paid to Boustead Holdings Berhad	0.3
Boustead Petroleum Marketing Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Sale of non-regulated petroleum products to Boustead Group	5.3
	Dato' Ghazali Mohd Ali		
	LTAT		



Related party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Plantations Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Provision of IT related service from Boustead Information Technology Sdn Bhd	1.7
	LTAT	Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	1.3
		General management fees, internal audit fees and tax consultancy fees paid to Boustead Holdings Berhad	1.9
Pharmaniaga Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Provision of corporate and administrative support services and training from Boustead Holdings Berhad	1.3
	LTAT	Premise rental paid to Boustead Curve Sdn Bhd	0.9
		Supply of computer equipment from Boustead Information Technology Sdn Bhd	0.5
Affin Holdings Berhad Group	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Office rental for Menara Boustead, Menara Affin and the Curve paid to Boustead Realty Sdn Bhd, Boustead Properties Berhad and Boustead Curve Sdn Bhd	16.0
	Dato' Ghazali Mohd Ali		
	Datuk Azzat Kamaludin	Provision of profesional service to Boustead Holdings Berhad and Boustead Naval Shipyard Sdn Bhd	0.1
Irat Hotels and Resorts Sdn Bhd	Tan Sri Dato'SeriLodin Wok Kamaruddin	Rental of hotel building paid by Boustead Hotels and Resorts Sdn Bhd	12.4
	Dato' Ghazali Mohd Ali		
	LTAT		
Arkitek MAA	Dato' Ghazali Mohd Ali	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	7.8
Azzat & Izzat	Datuk Azzat Kamaludin	Provision of legal services to Boustead Holdings Berhad Group	1.9
LTAT	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Provision of project management service from Boustead Properties Sdn Bhd	1.2
	Dato' Ghazali Mohd Ali		
	LTAT		

# TOP 30 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
The Curve, Jalan PJU 7/3, Mutiara Damansara, Selangor	5.0	Commercial land and building	Freehold	11	614.6	*2015
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	16	314.2	2014
Telok Sengat Estate, Kota Tinggi, Johor	3,690.1	Oil palm estate & palm oil mill	Freehold	29	281.9	2013
University of Nottingham in Malaysia, Semenyih Selangor	41.2	University Campus	Freehold	10	244.0	2003
eCurve, Jalan PJU 7/3 Mutiara Damansara,	1.6	Commercial land and building	Freehold	10	202.5	*2015
Royale Chulan Damansara, No 2, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.88	Hotel	Freehold	4	197.0	2012
G&G Estate, Lahad Datu, Sabah Selangor	2,409.8	Oil palm estate	1978 – 2077		185.0	2013
23-26, Leinster Square, London	0.1	Hotel	Freehold	>100	166.9	2014
PT 216/PT220, Mukim of Kapar, District of Klang, and Lot 1158, Mukim of Bukit Raja, District of Petaling, Selangor	81.0	Development land	Freehold		166.2	2014
Mutiara Rini, Kulai, Johor	121.9	Development land	1912 – 2911		162.4	1995
Menara Affin 80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office Complex	Freehold	17	156.6	*2015

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Sutera Estate, Sandakan Sabah	2,200.7	Oil palm estate	1888 – 2887		144.2	2013
Bukit Mertajam Estate, Kulim, Kedah	2,164.8	Oil palm estate	Freehold		139.9	2013
Sungai Sungai Estate, Sugut, Sabah	5,563.7	Oil palm estate & palm oil mill	1997 – 2098	10	127.8	2012
Malakoff Estate, Tasek Glugor, Pulau Pinang	1,379.0	Oil palm estate	Freehold		127.2	2013
Curve NX, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.61	Commercial land and building	Freehold	4	126.0	*2015
Menara Boustead, 69 Jalan Raja Chulan, Kuala Lumpur	0.43	Office Complex	Freehold	30	121.5	2001
Bebar Estate, Rompin, Pahang	2,340.6	Oil palm estate	1984 – 2083		119.6	2013
PT482, Seksyen 90 Bandar Kuala Lumpur	3.24	Development land	Freehold		119.0	2013
Royale Bintang Penang Pengkalan Weld, Pulau Pinang	0.48	Hotel	Freehold	2	117.5	2007
Lepan Kabu Estate, Kuala Pahi, Kelantan	2,034.6	Oil palm estate & palm oil mill	Freehold	45	102.1	2013
Menara Boustead Penang, Jalan Sultan Ahmad Shah Georgetown, Pulau Pinang	4.0	Office Complex	Freehold	17	100.8	*2015
Royale Bintang Kuala Lumpur, 17-21 Jalan Bukit Bintang, Kuala Lumpur	0.31	Hotel	Freehold	18	94.7	2003

## TOP 30 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Menara UAC, 12 Jalan PJU 7/5 Mutiar Damansara, Selangor	0.57	Office Complex	Freehold	8	94.2	*2015
Segaria Estate, Semporna Sabah	4,746.2	Oil palm estate & palm oil mill	1965 – 2072	35	93.3	2012
Royale Bintang Seremban, Jalan Dato' A.S. Dawood Seremban, Negeri Sembilan	2.5	Hotel	Freehold	15	87.1	2008
Lot 70, Mutiara Damansara Mukim Sungai Buluh, Selangor	4.4	Development land	Freehold		81.9	1999
TRP Estate, Trong, Perak	1,379.3	Oil palm estate & palm oil mill	Freehold	14	81.7	2013
PT481, Seksyen 90 Bandar Kuala Lumpur	2.0	Commercial land	Freehold		80.4	*2015
Lot PT 46016, HSD 87359 Mukim of Kapar, Klang Selangor	4.1	Industrial land and building	Freehold	21	80.0	2011

\* Year of revaluation

Book values are stated in RM Million

# ADDITIONAL DISCLOSURES

## 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

The Company did not receive any proceeds from corporate proposal during the financial year ended 31 December 2015.

## 2. SHARE BUY BACKS DURING THE FINANCIAL YEAR

The Company did not carry out any share buy back exercises during the financial year ended 31 December 2015.

## 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2015.

## 4. AMERICAN DEPOSITORY RECEIPTS (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR)

The Company has not sponsored any ADR/GDR programme during the financial year ended 31 December 2015.

## 5. SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its Subsidiaries, Directors and Management by the relevant regulatory bodies during the financial year ended 31 December 2015.

## 6. NON-AUDIT FEES

	Group RM'000	Company RM'000
Non-audit fees paid to the external auditors for the financial year ended 31 December 2015		
- Auditor of the Company	1,082	88
- Others	231	—
	1,313	88

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.

## 7. VARIATION IN RESULT

There was no profit estimation, forecast and projection made or released by the Company during the financial year ended 31 December 2015.

## 8. PROFIT GUARANTEE

There was no profit guarantees given by the Company and its Subsidiaries during the financial year ended 31 December 2015.

## 9. MATERIAL CONTRACTS

There were no 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 2015 or entered into since the end of the previous financial year.

# GROUP OIL PALM AGRICULTURAL STATISTICS

	2015	2014	2013	2012	2011
<b>Planted area in hectares (ha)</b>					
Past prime	<b>13,138</b>	13,464	9,631	9,426	7,494
Prime	<b>33,533</b>	38,436	42,922	41,756	48,769
Young	<b>12,387</b>	12,636	12,542	11,595	11,650
Total mature	<b>59,058</b>	64,536	65,095	62,777	67,913
Immature	<b>6,622</b>	6,042	5,243	5,598	6,271
Total planted	<b>65,680</b>	70,578	70,338	68,375	74,184
<b>FFB Crop (MT)</b>					
	<b>1,037,163</b>	1,036,582	1,043,280	1,100,409	1,121,629
<b>FFB yield per mature ha (MT/ha)</b>					
	<b>17.6</b>	16.2	16.6	17.5	16.5
<b>Mill production (MT)</b>					
Palm oil	<b>245,120</b>	247,198	238,371	250,430	247,928
Palm kernel	<b>51,444</b>	51,533	52,927	56,059	56,339
<b>Extraction rate (%)</b>					
Palm oil	<b>21.9</b>	21.8	20.9	20.8	20.3
Palm kernel	<b>4.6</b>	4.5	4.6	4.7	4.6
<b>Oil yield per mature ha (MT/ha)</b>					
	<b>3.9</b>	3.5	3.5	3.7	3.9
<b>Average selling price (RM/MT)</b>					
FFB	<b>458</b>	511	486	577	687
Palm oil	<b>2,148</b>	2,401	2,353	2,902	3,272
Palm kernel	<b>1,533</b>	1,679	1,284	1,568	2,195

# PLANTATION AREA STATEMENT

## AREA STATEMENT

	2015		2014	
	Ha	%	Ha	%
Oil palm	65,680	78.9	70,578	84.7
Building sites, roads, unplantable areas, etc	17,551	21.1	12,782	15.3
Total	83,231	100.0	83,360	100.0

## AGE PROFILE OF PALMS

### 2015

Region	Immature < 3 years	Mature			Total planted
		Young 4 - 9 years	Prime 10 - 20 years	Past Prime > 20 years	
Peninsular Malaysia	2,760	7,403	10,270	5,469	25,902
Sabah	3,630	4,896	12,066	5,891	26,483
Sarawak	232	88	11,197	1,778	13,295
Total hectares	6,622	12,387	33,533	13,138	65,680



# LOCATION OF GROUP PLANTATIONS



## Peninsular Malaysia

- |                   |                    |                     |
|-------------------|--------------------|---------------------|
| 1. Batu Pekaka    | 8. Malaya          | 15. Bekoh           |
| 2. Kuala Muda     | 9. Lapan Kabu      | 16. Eldred          |
| 3. Stothard       | 10. Solandra       | 17. Kulai Young     |
| 4. Kedah Oil Palm | 11. LTT-Terengganu | 18. Chamek          |
| 5. Bukit Mertajam | 12. Sungai Jernih  | 19. Boustead Sedili |
| 6. Malakoff       | 13. Bebar          | 20. Telok Sengat    |
| 7. TRP            | 14. Balau          |                     |

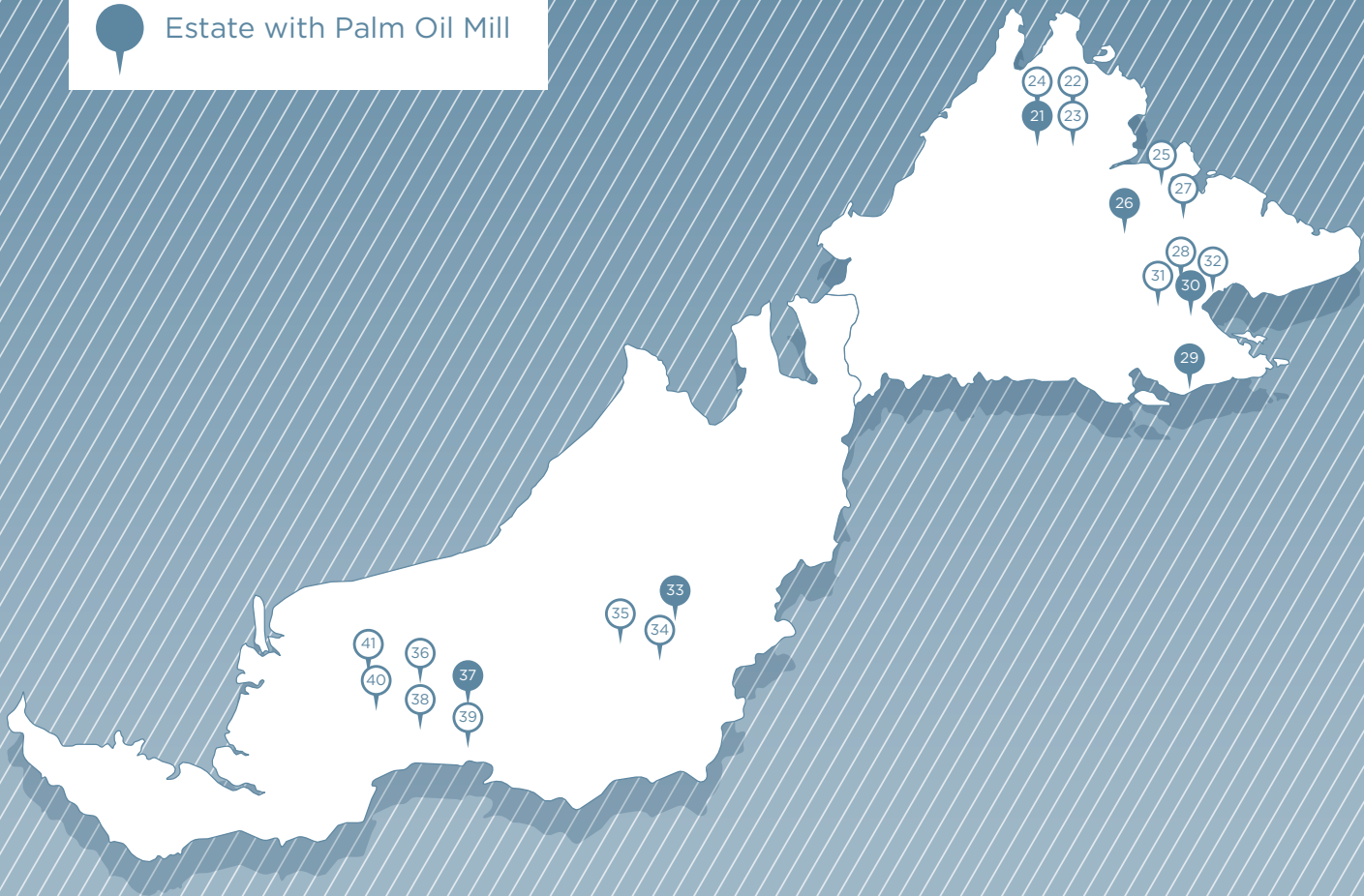
## LEGEND



Estate



Estate with Palm Oil Mill



### Sabah & Sarawak

- 21. Sungai Sungai 1
- 22. Sungai Sungai 2
- 23. Kawananan
- 24. Lembah Paitan
- 25. Resort
- 26. Nak
- 27. Sutera

- 28. LTT-Sabah
- 29. Segaria
- 30. Sungai Segamaha
- 31. Bukit Segamaha
- 32. G & G
- 33. Loagan Bunut
- 34. Sungai Lelak

- 35. Bukit Limau
- 36. Pedai
- 37. Jih
- 38. Kelimut
- 39. Maong
- 40. Mapai
- 41. Bawan

# SHAREHOLDING STATISTICS

AS AT 15 FEBRUARY 2016

Size of shareholdings	No. of holders	%	No. of shares	%
Less than 100	928	7.50	18,963	0.00
100 to 1,000	1,901	15.36	1,196,831	0.11
1,001 to 10,000	7,014	56.68	26,900,379	2.60
10,001 to 100,00	2,246	18.15	62,557,027	6.05
100,001 to less than 5% of issued shares	283	2.29	246,633,644	23.85
5% and above of issued shares	2	0.02	696,871,209	67.39
Total	12,374	100.00	1,034,178,053	100.00

## 30 LARGEST SHAREHOLDERS AS AT 15 FEBRUARY 2016

No.	Name of shareholders	No. of shares	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	604,223,509	58.43
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	92,647,700	8.96
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR AIA BHD.</i>	35,946,084	3.48
4	SCOTIA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN</i>	15,724,250	1.52
5	CHINCHOO INVESTMENT SDN.BERHAD	10,128,164	0.98
6	KEY DEVELOPMENT SDN.BERHAD	9,657,070	0.93
7	GAN TENG SIEW REALTY SDN.BERHAD	8,708,634	0.84
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PBCL-OG0052)</i>	8,000,000	0.77
9	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND</i>	7,014,598	0.68
10	YONG SIEW YOON	6,244,761	0.60
11	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>ICAPITAL.BIZ BERHAD</i>	6,197,850	0.60
12	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (S'HOLDERS NPAR)</i>	5,406,890	0.52
13	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (LIFE PAR)</i>	4,342,300	0.42
14	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND(3969)</i>	4,210,000	0.41
15	GEMAS BAHRU ESTATES SDN. BHD.	3,529,480	0.34
16	BIDOR TAHAN ESTATES SDN.BHD.	3,283,300	0.32
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR SAHAM AMANAH SABAH (ACC 2-940410)</i>	3,235,000	0.31

### 30 LARGEST SHAREHOLDERS AS AT 15 FEBRUARY 2016

No.	Name of shareholders	No. of shares	%
18	MIKDAVID SDN BHD	3,017,430	0.29
19	CITIGROUP NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)</i>	2,861,345	0.28
20	UOB KAY HIAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN PTE LTD ( A/C CLIENTS )</i>	2,701,864	0.26
21	AMANAHRAYA TRUSTEES BERHAD <i>AFFIN HWANG GROWTH FUND</i>	2,650,000	0.26
22	RENGO MALAY ESTATE SENDIRIAN BERHAD	2,473,460	0.24
23	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC</i>	2,386,292	0.23
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MM0197)</i>	2,268,508	0.22
25	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BANK JULIUS BAER &amp; CO. LTD. (SINGAPORE BCH)</i>	2,227,804	0.22
26	CHE LODIN BIN WOK KAMARUDDIN	2,200,000	0.21
27	AMANAHRAYA TRUSTEES BERHAD <i>AFFIN HWANG PRINCIPLED GROWTH FUND</i>	2,100,000	0.20
28	CHINCHOO HOLDINGS (S) PRIVATE LIMITED	2,034,330	0.20
29	CIMSEC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)</i>	1,912,562	0.18
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD</i>	1,673,800	0.16
TOTAL		859,006,985	83.06

### SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Lembaga Tabung Angkatan Tentera	604,223,509	58.43	–	–
Kumpulan Wang Persaraan (Diperbadankan)	92,647,700	8.96	–	–
Class of Shares	Ordinary shares of RM0.50 each			
Voting rights	1 vote per ordinary shares			

# STATEMENT OF DIRECTORS' INTERESTS

IN THE COMPANY AND RELATED CORPORATIONS AS AT 15 FEBRUARY 2016

Name of Director	No. of shares	Direct %
Ordinary shares of RM0.50 each		
<b>Boustead Holdings Berhad</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	28,192,758	2.73
Datuk Azzat Kamaludin	44,000	–
<b>Pharmaniaga Berhad</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	220,000	0.08
Tan Sri Dato' Seri Lodin Wok Kamaruddin	12,500,148	4.83
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	121,000	0.05
Datuk Azzat Kamaludin	226,260	0.09
Dato' Ghazali Mohd Ali	143,000	0.06
<b>Boustead Plantations Berhad</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	1,560,000	0.10
Tan Sri Dato' Seri Lodin Wok Kamaruddin	31,381,600	1.96
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	1,590,000	0.10
Datuk Azzat Kamaludin	1,550,000	0.10
Dato' Ghazali Mohd Ali	1,234,000	0.08
Datuk Francis Tan Leh Kiah	1,190,000	0.08
Ordinary shares of RM1.00 each		
<b>Boustead Heavy Industries Corporation Berhad</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	0.80
Datuk Azzat Kamaludin	350,000	0.14
Dato' Ghazali Mohd Ali	75,000	0.03
<b>Boustead Petroleum Sdn Bhd</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	5.00
<b>Affin Holdings Berhad</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	119,220	0.01
Tan Sri Dato' Seri Lodin Wok Kamaruddin	1,051,328	0.05
Datuk Francis Tan Leh Kiah	50,000	0.00

# 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 and any unrealised income from fair value adjustments that are non-cash in nature. The dividend policy is effective from the financial year 2011.

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-Fourth Annual General Meeting of Boustead Holdings Berhad will be held at The Royale Ballroom, Level 2, The Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Monday, 4 April 2016 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 year ended 31 December 2015 together with the Reports of the Directors and Auditors.  
(Please refer to Note 1)
2. To re-elect Datuk Francis Tan Leh Kiah who retires pursuant to Article 105 of Company's Articles of Association, being eligible, offers himself for re-election.
3. To consider and if thought fit, to pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:
  - i. "THAT pursuant to Section 129(6) of the Companies Act, 1965, Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
  - ii. "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
  - iii. "THAT pursuant to Section 129(6) of the Companies Act, 1965, Datuk Azzat Kamaluddin be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
4. To approve Directors' fees of RM542,000 in respect of the financial year ended 31 December 2015.
5. To re-appoint Messrs. Ernst & Young as auditors of the Company and to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Directors.

**Resolution 1**

**Resolution 2**

**Resolution 3**

**Resolution 4**

**Resolution 5**

**Resolution 6**



## 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 SECTION 132D OF THE COMPANIES ACT, 1965**

**Resolution 7**

“THAT pursuant to Section 132D of the Companies Act, 1965 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 the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

7. **ORDINARY RESOLUTION**

**PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS**

**Resolution 8**

“THAT, subject always to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its Subsidiaries shall be mandated to enter into recurrent transactions of a revenue or trading nature with the Related Parties specified in Section 2.3.1 of the Circular to Shareholders dated 11 March 2016, subject to the transactions are in the ordinary course of business necessary for the day-to-day operations and on normal commercial terms not more favourable than those generally available to the public and which are not to the detriment of the minority shareholders.

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (AGM), 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 the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by a resolution passed by the Shareholders in a General Meeting;

whichever is the earlier.

AND FURTHER that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this Shareholders’ Mandate.”

## NOTICE OF ANNUAL GENERAL MEETING

**8. ORDINARY RESOLUTION  
PROPOSED ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED  
PARTY TRANSACTIONS**

**Resolution 9**

"THAT, subject always to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby and is hereby given to the Company and/or its Subsidiaries to enter into all transactions involving the Related Parties specified in Section 2.3.2 of the Circular to Shareholders dated 11 March 2016, subject further to the following:

- (i) the transactions are in the ordinary course of business necessary for the day-to-day operations and on normal commercial terms not more favourable than those generally available to the public and which are not to the detriment of the minority shareholders;
- (ii) disclosure will be made of a breakdown of the aggregate value of transactions conducted pursuant to the Mandate during the financial year based on the following information in the Company's annual report and in the annual reports for subsequent financial years that the Mandate continues in force:
  - (a) the type of the recurrent related party transactions made; and
  - (b) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company; and
- (iii) that such approval shall continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting (AGM) of the Company following the General Meeting at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next AGM after this date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the Shareholders in a General Meeting;

whichever is the earlier.

AND FURTHER that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this Shareholders' Mandate."

**9. ORDINARY RESOLUTIONS  
RETENTION OF INDEPENDENT DIRECTORS**

**Resolution 10**

- i. "THAT subject to the passing of Ordinary Resolution 2, approval be and is hereby given to Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R), who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2012."

- ii. “THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to Dato’ Wira (Dr.) Megat Abdul Rahman Megat Ahmad who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2012.”

## Resolution 11

To transact any other business of the Company.

By Order of the Board

**TASNEEM MOHD DAHALAN**  
Secretary

Kuala Lumpur  
11 March 2016

## Notes

### 1. Audited Financial Statements

The Audited Financial Statements laid at this meeting pursuant to Section 169(1) and (3) of the Companies Act, 1965 are meant for discussion only. It does not require shareholders’ approval, and therefore, not put forward for voting.

### 2. Form of Proxy

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint any person to be his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1) of the Companies Act, 1965 shall not apply to the Company.
- In the case of a Corporation, the proxy should be executed under its Common Seal or under the hand of a duly authorised officer.
- A member shall not, subject to Paragraph (d) below, be entitled to appoint more than (2) two proxies to attend and vote at the same meeting and shall specify the proportion of his shareholdings to be represented by such proxy. If a member has appointed two proxies to attend a general meeting and subsequently he attends such general meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend the said general meeting.
- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the office of the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
- Only members registered in the Record of Depositors as at 25 March 2016 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

## 3. Explanatory Notes to Special Business

### a) Ordinary Resolution 7

Ordinary resolution 7, 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 in the Company were issued pursuant to the authority granted to the Directors at the authority granted to the Directors at the Fifty-Third Annual General Meeting held on 6 April 2015, the mandate of which will lapse at the conclusion of the Fifty-Fourth Annual General Meeting to be held on 4 April 2016.

### b) Ordinary Resolutions 8 and 9

Ordinary resolutions 8 and 9, 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.

### c) Ordinary Resolutions 10 and 11

The Board has determined that Gen. Tan Sri Dato’ Mohd Ghazali Hj. Che Mat (R) and Dato’ Wira (Dr.) Megat Abdul Rahman Megat Ahmad are fair and impartial in carrying out their duties to the Company. As Directors, they continue to bring independent and objective judgements to Board deliberations and the decision making process as a whole. They also possess vast professional experience and bring the right mix of skills to the Board.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## 1. DIRECTORS WHO ARE STANDING FOR RE-APPOINTMENT AND RE-ELECTION

(a) Director standing for re-election

Datuk Francis Tan Leh Kiah

(b) Directors standing for re-appointment under Section 129(6) of the Companies Act, 1965

- (i) Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)
- (ii) Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad
- (iii) Datuk Azzat Kamaludin

Details of attendance of Board Meetings of Directors seeking re-election and re-appointment are set out on page 88 of the annual report.

Profile of the Directors standing for re-election and re-appointment are set out on pages 10 to 15 of the annual report; while details of their interest in securities are set out on pages 108 and 228 of the annual report.

## 2. DATE, TIME AND PLACE OF THE ANNUAL GENERAL MEETING

The Fifty-Fourth Annual General Meeting of Boustead Holdings Berhad will be held as follows:

Date : Monday, 4 April 2016

Time : 9.30 a.m.

Place : The Royale Ballroom, Level 2, The Royale Chulan Damansara, 2 Jalan PJU 7/3 Mutiara Damansara, 47810 Petaling Jaya, Selangor

# PROXY FORM

## BOUSTEAD HOLDINGS BERHAD

I/We \_\_\_\_\_ NRIC (New)/Company No.: \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member of **BOUSTEAD HOLDINGS BERHAD**, hereby appoint\* \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No.: \_\_\_\_\_ of \_\_\_\_\_  
(FULL ADDRESS)

and/or \_\_\_\_\_ NRIC (New) No.: \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

of \_\_\_\_\_  
(FULL ADDRESS)

\*or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the Fifty-Fourth Annual General Meeting of the Company to be held at The Royale Ballroom, Level 2, The Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Monday, 4 April 2016 at 9.30 a.m. or any adjournment thereof, to vote as indicated below:

No.	Resolution	For	Against
1.	Re-election of Datuk Francis Tan Leh Kiah		
2.	Re-appointment of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)		
3.	Re-appointment of Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad		
4.	Re-appointment of Datuk Azzat Kamaludin		
5.	Approval of Directors' fees		
6.	Re-appointment of Auditors		
7.	Approval for Directors to allot and issue shares		
8.	Renewal of Shareholders' Mandate for recurrent related party transactions		
9.	Additional Shareholders' Mandate for recurrent related party transactions		
10.	Retention of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) as an Independent Director		
11.	Retention of Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad as an Independent Director		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Signature of Member/Common Seal \_\_\_\_\_

No. of ordinary shares held:

CDS Account No.:

Proportion of shareholdings to be represented by proxies	First Proxy: _____%
	Second Proxy: _____%

Contact No.:

### Notes

- If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name and address of the person of your choice and initial the insertion at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.
- In the case of a Corporation, the proxy should be executed under its Common Seal or under the hand of a duly authorised officer.
- A member shall not, subject to Paragraph (d) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
- Only members registered in the Record of Depositors as at 25 March 2016 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

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**Share Registrar of Boustead Holdings Berhad**

**Tricor Investor & Issuing House Services Sdn Bhd** (11324-H)  
Unit 32-01, Level 32, Tower A, Vertical Business Suite  
Avenue 3, Bangsar South, No. 8 Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia

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