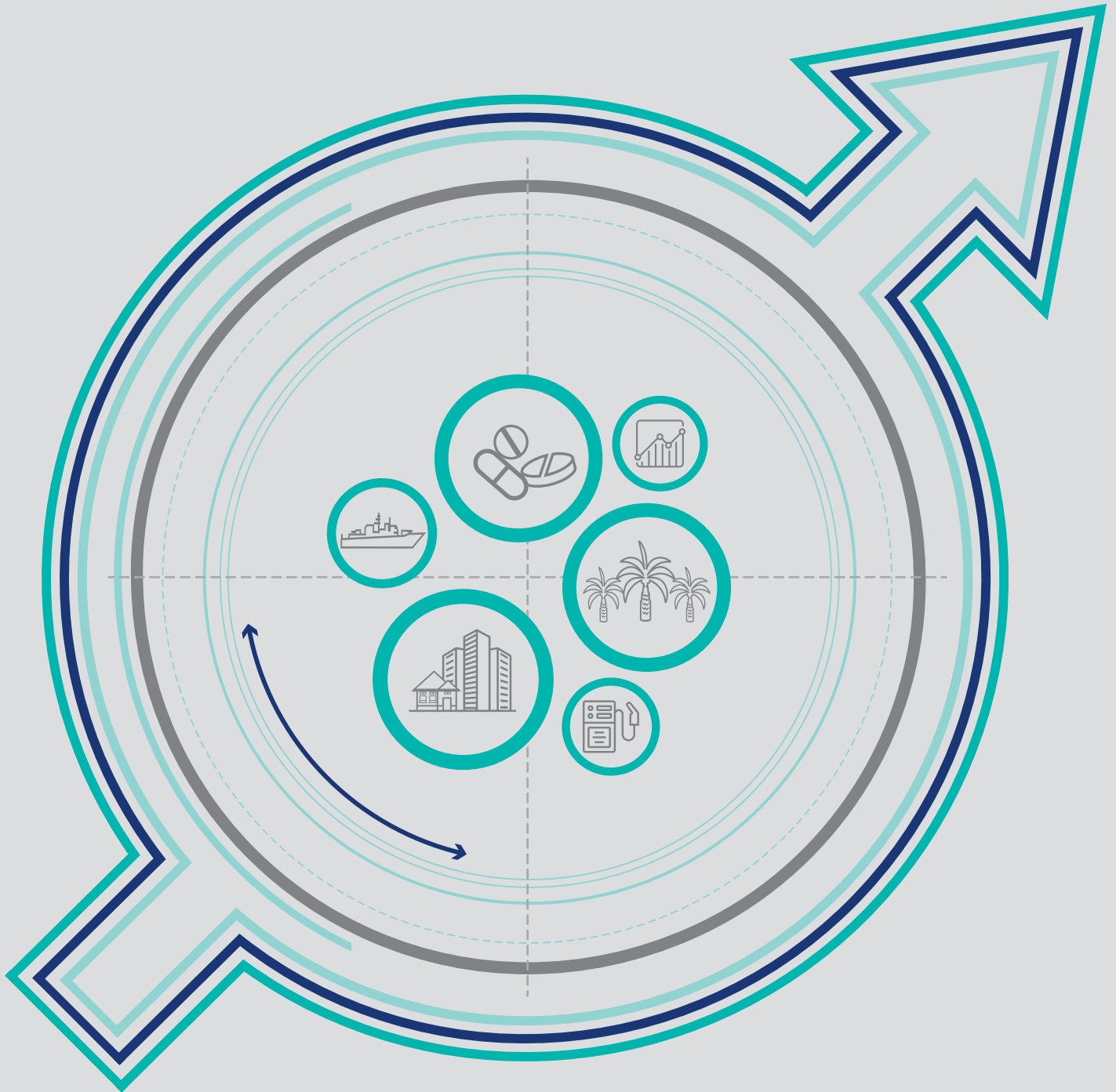


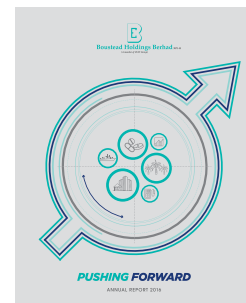


**Boustead Holdings Berhad** 3871-H  
(A member of LTAT Group)



***PUSHING FORWARD***

ANNUAL REPORT 2016



## Pushing Forward

Boustead Holdings Berhad's single-minded focus, acute foresight and diversified nature enables the Group to persevere and push forward. Our six divisions are depicted in the cover visual as the key pillars at the core of the Boustead Group, paving the way for our growth trajectory.



You can download  
this annual report at  
**[www.boustead.com.my](http://www.boustead.com.my)**

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## Chairman's Statement

“We would not have been  
able to achieve such  
**excellent  
results** if not for our  
talent pool.”



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## Chief Executive's Review



“It is the  
**diversified  
nature** of Boustead  
that has enabled us to generate  
such handsome profit.”

---

# Us About

With well over 180 years since our establishment, Boustead Holdings Berhad has indeed solidified our position as a dynamic leading conglomerate in Malaysia.

The Group is actively involved in key sectors of the Malaysian economy, with a solid track record in six core areas, namely Plantation, Property, Finance & Investment, Pharmaceutical, Trading & Industrial and Heavy Industries. Our diversified nature has enabled the Group to achieve sustainable growth over the years.

Our success is driven by our strong talent pool of over 17,000 employees in both our listed and non-listed subsidiaries. As at the end of the 2016 financial year, our total assets amounted to RM17.9 billion and shareholders' funds stood at RM5.7 billion.

---

# At a Glance

**PROFIT  
BEFORE TAX**  
**RM740**  
**MILLION**

**REVENUE**  
**RM8.4**  
**BILLION**

**DIVIDEND**  
**17.5 SEN**

**EMPLOYEES**  
**17,665**

**PROFIT  
AFTER TAX**  
**RM589**  
**MILLION**

**CAPEX &  
ACQUISITION**  
**RM313**  
**MILLION**

**TOTAL  
ASSETS**  
**RM17.9**  
**BILLION**

**EBITDA**  
**RM1,331**  
**MILLION**

# Our Core Business



## Property

An active participant in the property sector, the Property Division is involved in property development, property investment, project and property management, as well as hotel operations. The Division has a strong portfolio of residential and commercial developments, which includes award-winning townships and a leading chain of hotels.

2016 performance  
review on page



## Plantation

Principally involved in the management of oil palm plantations, cultivation of oil palm and processing of crude palm oil, the Plantation Division has a substantial land bank across Peninsular Malaysia, Sabah and Sarawak. The Division is committed to innovative agronomic research efforts and implementing sustainable practices throughout its operations.

2016 performance  
review on page



## Pharmaceutical

The Pharmaceutical Division provides quality products and services to Government facilities and private institutions within the pharmaceutical and healthcare industry. Its core businesses encompass the manufacturing of generic pharmaceuticals, warehousing, logistics, distribution and trading of medical products, as well as hospital equipment. The Division has also been steadily expanding its retail pharmacy segment in the domestic market.

2016 performance  
review on page







## Heavy Industries

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

2016 performance  
review on page

60



## Finance & Investment

The Finance & Investment Division is primarily driven by its financial services arm which provides financial solutions in consumer banking, investment banking, Islamic banking, in addition to finance and insurance. Along with this, the Division has a well-balanced portfolio of investments in education, travel, tourism sectors and automated traffic enforcement.

2016 performance  
review on page

66



## Trading & Industrial

The Trading & Industrial Division owns and operates Malaysia's only other home-grown retail petroleum network. It also has a range of leading Malaysian brands under its umbrella and is involved in the manufacturing and distribution of building materials.

2016 performance  
review on page

72



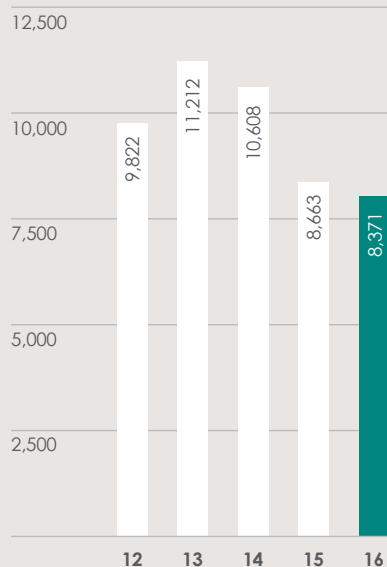
# Five-Year Financial Highlights

		2016	2015	2014	2013	2012
<b>FINANCIAL PERFORMANCE</b>						
Revenue		<b>8,371</b>	8,663	10,608	11,212	9,822
Profit before taxation		<b>740</b>	269	686	708	593
Profit after taxation		<b>589</b>	139	533	560	499
Profit attributable to shareholders		<b>369</b>	13	408	479	417
Earnings per share	sen	<b>20.0</b>	0.8	24.9	29.2	25.4
Return on equity	%	<b>7.2</b>	0.3	8.8	10.4	9.2
Return on assets	%	<b>5.8</b>	3.3	6.1	6.7	6.2
Return on revenue	%	<b>7.0</b>	4.3	6.0	4.5	5.2
<b>DIVIDENDS</b>						
Dividend for the year		<b>305</b>	207	269	310	336
Net dividend per share	sen	<b>17.5</b>	20.0	26.0	30.0	32.5
Dividend yield	%	<b>6.6</b>	4.7	5.4	5.3	6.3
Dividend cover	times	<b>1.2</b>	–	1.5	1.5	1.2
<b>GEARING</b>						
Borrowings		<b>7,317</b>	8,034	7,081	6,636	6,610
Gearing	times	<b>0.9</b>	1.1	0.9	1.1	1.2
Interest cover	times	<b>3.5</b>	1.9	3.4	3.7	3.7
<b>OTHER FINANCIAL STATISTICS</b>						
Net assets per share	sen	<b>281</b>	439	458	440	450
Share price – high	sen	<b>271</b>	475	550	571	596
Share price – low	sen	<b>186</b>	380	438	493	486
Price earning ratio	times	<b>13</b>	–	12	12	13
Paid up share capital		<b>1,014</b>	517	517	517	517
Shareholders' equity		<b>5,686</b>	4,543	4,739	4,555	4,656
Total equity		<b>8,501</b>	7,358	7,573	5,925	5,322
Total assets		<b>17,932</b>	17,620	16,680	15,118	13,693

All figures are in RM million unless otherwise stated.

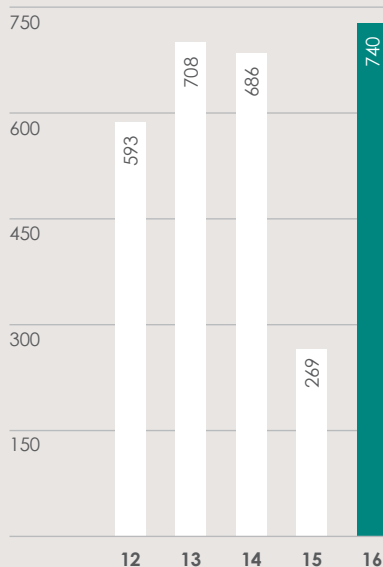
### REVENUE

RM8,371 Million



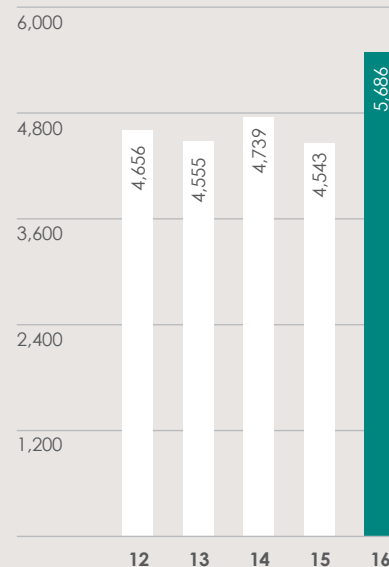
### PROFIT BEFORE TAXATION

RM740 Million



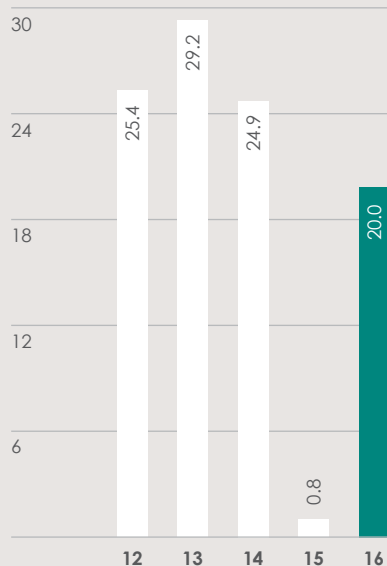
### SHAREHOLDERS' EQUITY

RM5,686 Million



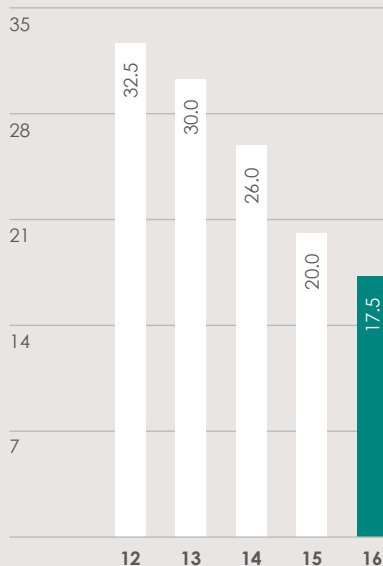
### EARNINGS PER SHARE

20.0 sen



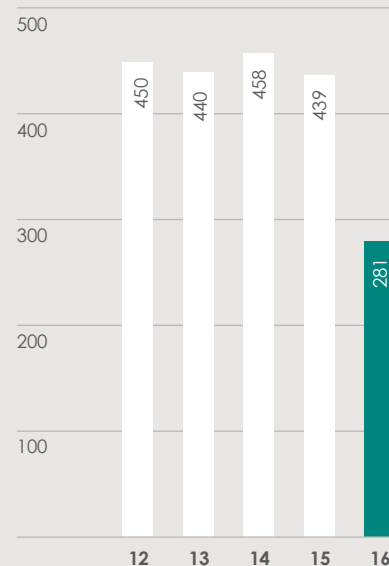
### DIVIDEND PER SHARE

17.5 sen



### NET ASSETS PER SHARE

281 sen



# Corporate Information

## REGISTERED OFFICE

28th Floor, Menara Boustead  
No. 69 Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia  
Tel : (03) 2141 9044  
Fax : (03) 2141 9750  
www.boustead.com.my

## REGISTRAR

Tricor Investor & Issuing House  
Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8 Jalan Kerinchi  
59200 Kuala Lumpur, Malaysia  
Tel : (03) 2783 9299  
Fax : (03) 2783 9222

## SECRETARY

Tasneem Mohd Dahalan

## DIRECTORS

**Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)**

Chairman

Independent Non-Executive Director

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

Deputy Chairman/Group Managing Director

Non-Independent Executive Director

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

Senior Independent Non-Executive Director

**Datuk Azzat Kamaludin**

Non-Independent Non-Executive Director

**Dato' Sri Ghazali Mohd Ali**

Non-Independent Executive Director

**Datuk Francis Tan Leh Kiah**

Independent Non-Executive Director

## PRINCIPAL BANKERS

Affin Bank Berhad  
Alliance Bank Malaysia Berhad  
Ambank (M) Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
CIMB Bank Berhad  
United Overseas Bank Berhad

## AUDITORS

Ernst & Young

## STOCK EXCHANGE LISTING

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

## HOLDING CORPORATION

Lembaga Tabung Angkatan Tentera

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# Financial Calendar

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## Financial Year

1 January to 31 December 2016

## Results

### First quarter

Announced 25 May 2016

### Second quarter

Announced 24 August 2016

### Third quarter

Announced 30 November 2016

### Fourth quarter

Announced 28 February 2017

## Annual Report

Issued 15 March 2017

## Annual General Meeting

To be held 6 April 2017

## Dividends

### First interim

Announced 25 May 2016

Entitlement date 10 June 2016

Payment date 12 July 2016

### Second interim

Announced 24 August 2016

Entitlement date 14 September 2016

Payment date 30 September 2016

### Third interim

Announced 30 November 2016

Entitlement date 15 December 2016

Payment date 22 December 2016

### Fourth interim

Announced 28 February 2017

Entitlement date 16 March 2017

Payment date 28 March 2017

# Sustainability Vision

Building a Legacy of Sustainable  
**Growth** as a Leading  
**Diversified** Conglomerate

Given our extensive reach, the Boustead Group is conscious of the critical need to balance our economic, environmental and social responsibilities.







Our ongoing drive to do the right thing sees us:

- Cultivating a diversified and sustainable business portfolio across our six core divisions
- Prioritising environmental conservation initiatives and practices
- Empowering communities through education, mentorship programmes and active outreach
- Developing our people and their talents to unlock their potential

The principles of sustainability are applied across our Group with a view to improve our processes and practices.

With these objectives in mind, our approach to sustainability covers three core areas of impact:



**Economic**



**Environment**



**Social**

These focus areas form the structure of our sustainability priorities and are fundamental for us to attain sustainable and strong growth.



# Profile of Directors

## General Tan Sri Dato' Mohd Ghazali Haji Che Mat (R)

Chairman  
Independent Non-Executive Director



Age : 86  
Gender : Male  
Nationality : Malaysian

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

3 December 1990

### Working experience

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

### Qualification

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

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

Nil

### Directorship in other public listed companies

- Chairman, Boustead Plantations Berhad

### Directorship in public companies

- Boustead Properties Berhad
- UAC Berhad

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

No

### Conflict of interests with the Company

No

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

Nil

## Tan Sri Dato' Seri Lodin Wok Kamaruddin

Deputy Chairman/  
Group Managing Director  
Non-Independent Executive Director



Age : 67  
Gender : Male  
Nationality : Malaysian

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

10 July 1984

### Working experience

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

### Qualification

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

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

- 52,257,805 Ordinary Shares of RM0.50 each

### Directorship in other public listed companies

- Vice Chairman, Boustead Plantations Berhad
- Pharmaniaga Berhad
- Boustead Heavy Industries Corporation Berhad

### Directorship in public companies

- Boustead Properties Berhad
- UAC Berhad
- MHS Aviation Berhad
- Badan Pengawas Pemegang Saham Minoriti Berhad
- AXA Affin Life Insurance Berhad
- Affin Hwang Investment Bank Berhad
- Affin Hwang Asset Management Berhad

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

No

### Conflict of interests with the Company

No

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

Nil

## Profile of Directors

### Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad

Senior Independent  
Non-Executive Director

Age : 77  
Gender : Male  
Nationality : Malaysian

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

10 December 1990

#### Working experience

- He was a partner of KPMG Malaysia and Managing Partner of KPMG Desa Megat & Co. for over 10 years
- An Executive Director in Kumpulan Guthrie Berhad for over 11 years
- Presently, he is the Chairman of Press Metal Berhad
- A member on the Board of Trustees of Yayasan Tenaga Nasional

#### Qualification

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

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

Nil

#### Directorship in other public listed companies

- Press Metal Berhad

#### Directorship in public companies

Nil

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

No

#### Conflict of interests with the Company

No

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

Nil



## Datuk Azzat Kamaludin

Non-Independent  
Non-Executive Director



Age : 71  
Gender : Male  
Nationality : Malaysian

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

16 January 1991

### Working experience

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

### Qualification

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

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

- 112,000 Ordinary Shares of RM0.50 each

### Directorship in other public listed companies

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

### Directorship in public companies

Nil

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

No

### Conflict of interests with the Company

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

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

Nil

## Profile of Directors

### Dato' Sri Ghazali Mohd Ali

Non-Independent  
Executive Director



Age : 68  
Gender : Male  
Nationality : Malaysian

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

1 March 2007

#### Working experience

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

#### Qualification

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

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

Nil

#### Directorship in other public listed companies

Nil

#### Directorship in public companies

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

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

No

#### Conflict of interests with the Company

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

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

Nil

## Datuk Francis Tan Leh Kiah

Independent  
Non-Executive Director



Age : 65  
Gender : Male  
Nationality : Malaysian

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

11 October 2012

### Working experience

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

### Qualification

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

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

Nil

### Directorship in other public listed companies

Nil

### Directorship in public companies

- MPI Generali Insurans Berhad

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

No

### Conflict of interests with the Company

No

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

Nil



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# Senior Management Team

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**Tan Sri Dato' Seri Lodin Wok Kamaruddin**  
Deputy Chairman/  
Group Managing Director



**Dato' Sri Ghazali Mohd Ali**  
Divisional Director, Property



**Datuk Koo Hock Fee**  
Divisional Director, Industrial



**En. Fahmy Ismail**  
Chief Executive Officer,  
Boustead Plantations Berhad



**Mr. Chow Kok Choy**  
Managing Director,  
Boustead Estates Agency

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**Laksamana Madya Tan Sri Dato' Seri  
Ahmad Ramli Hj. Mohd Nor (R)**

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



**Mr. Daniel Ebinesan**

Group Finance Director



**Dato' Farshila Emran**

Managing Director,  
Pharmaniaga Berhad



**Datuk Mokhtar Khir**

Group Director of Operations,  
Boustead Hotels and Resorts



**Mr. Tan Kim Thiam**

Managing Director,  
Boustead Petroleum Marketing

## Profile of Senior Management Team

### Tan Sri Dato' Seri Lodin Wok Kamaruddin

#### Deputy Chairman/Group Managing Director

Age : 67  
Gender : Male  
Nationality : Malaysian

#### Date of appointment to present position

1 July 1991

#### Working experience

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

#### Qualification

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

#### Directorship in public listed companies

- Vice Chairman, Boustead Plantations Berhad
- Pharmaniaga Berhad
- Boustead Heavy Industries Corporation Berhad

#### Directorship in public companies

- Boustead Properties Berhad
- UAC Berhad
- MHS Aviation Berhad
- Badan Pengawas Pemegang Saham Minoriti Berhad
- AXA Affin Life Insurance Berhad
- Affin Hwang Investment Bank Berhad
- Affin Hwang Asset Management Berhad

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

No

#### Conflict of interests with the Company

No

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

Nil

### Dato' Sri Ghazali Mohd Ali

#### Divisional Director, Property

Age : 68  
Gender : Male  
Nationality : Malaysian

#### Date of appointment to present position

1 March 2007

#### Working experience

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

#### Qualification

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

#### Directorship in public listed companies

Nil

#### Directorship in public companies

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

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

No

#### Conflict of interests with the Company

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

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

Nil

## Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Hj. Mohd Nor (R)

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

Age : 73  
Gender : Male  
Nationality : Malaysian

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

### Working experience

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

### Qualification

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

### Directorship in public listed companies

- Boustead Heavy Industries Corporation Berhad

### Directorship in public companies

- Affin Islamic Bank Berhad
- Favelle Favco Berhad

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

No

### Conflict of interests with the Company

No

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

Nil

## Mr. Daniel Ebinesan

### Group Finance Director

Age : 71  
Gender : Male  
Nationality : Malaysian

**Date of appointment to present position**  
1 July 1996

### Working experience

- Mr. Daniel joined Boustead Holdings Berhad in April 1974 as Group Accountant and has held various positions in Group Finance since then
- He assumed the role of Chief Financial Officer in July 1996 and currently holds the position of Group Finance Director
- A member of the Board of Trustees of Kumpulan Wang Simpanan Kakitangan Estet since 1996

### Qualification

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

### Directorship in public listed companies

- Pharmaniaga Berhad

### Directorship in public companies

- MHS Aviation Berhad

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

No

### Conflict of interests with the Company

No

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

Nil

## Profile of Senior Management Team

### Dato' Farshila Emran

#### Managing Director, Pharmaniaga Berhad

Age : 50  
Gender : Female  
Nationality : Malaysian

#### Date of appointment to present position

1 April 2011

#### Working Experience

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

#### Qualification

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

#### Directorship in public listed companies

- Pharmaniaga Berhad

#### Directorship in public companies

Nil

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

No

#### Conflict of interests with the Company

No

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

Nil

### Datuk Koo Hock Fee

#### Divisional Director, Industrial Division

Age : 65  
Gender : Male  
Nationality : Malaysian

#### Date of appointment to present position

1 November 1995

#### Working Experience

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

#### Qualification

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

#### Directorship in public listed companies

Nil

#### Directorship in public companies

- UAC Berhad
- Johan Ceramics Berhad

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

No

#### Conflict of interest with the Company

No

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

Nil



## En. Fahmy Ismail

### Chief Executive Officer, Boustead Plantations Berhad

Age : 40  
Gender : Male  
Nationality : Malaysian

### Date of appointment to present position

1 March 2014

### Working Experience

- 1999 to 2005 – Began his career as a management trainee and assumed several finance roles within the Renong Group, ranging from accounting, performance reporting, treasury and corporate finance. Last held position prior to joining Boustead Holdings Berhad was Assistant Manager, Corporate Finance for SapuraCrest Petroleum Berhad
- 2006 – Manager, Corporate Planning Department, Boustead Holdings Berhad
- 2007 – Chief Executive Officer, Boustead REIT Managers Sdn Bhd
- 2014 to present – Chief Executive Officer, Boustead Plantations Berhad

### Qualification

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

### Directorship in public listed companies

Nil

### Directorship in public companies

- Johan Ceramics Berhad

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

No

### Conflict of interests with the Company

No

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

Nil

## Mr. Chow Kok Choy

### Managing Director, Boustead Estates Agency

Age : 68  
Gender : Male  
Nationality : Malaysian

### Date of appointment to present position

23 May 2014

### Working Experience

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

### Qualification

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

### Directorship in public listed companies

Nil

### Directorship in public companies

Nil

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

No

### Conflict of interests with the Company

No

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

Nil



## Profile of Senior Management Team

### Datuk Mokhtar Khir

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

Age : 69  
Gender : Male  
Nationality : Malaysian

#### Date of appointment to present position

1 June 2003

#### Working Experience

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

#### Qualification

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

#### Directorship in public listed companies

Nil

#### Directorship in public companies

Nil

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

No

#### Conflict of interests with the Company

No

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

Nil

### Mr. Tan Kim Thiam

#### Managing Director, Boustead Petroleum Marketing

Age : 58  
Gender : Male  
Nationality : Malaysian

#### Date of appointment to present position

30 September 2005

#### Working Experience

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

#### Qualification

- Bachelor of Engineering, Universiti Malaya

#### Directorship in public listed companies

Nil

#### Directorship in public companies

Nil

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

No

#### Conflict of interests with the Company

No

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

Nil



Artist's impression of One Cochrane Residences

# Chairman's Statement

“We would not have been able to achieve such excellent results if not for our talent pool.”

## DEAR SHAREHOLDER,

I AM PLEASED TO INFORM THAT YOUR GROUP HAS PERFORMED EXCEPTIONALLY WELL DURING THIS FINANCIAL YEAR. WE HAVE ACHIEVED THIS AGAINST THE BACKDROP OF UNPRECEDENTED TRYING CONDITIONS THAT IMPACTED BUSINESSES AND CORPORATIONS INTERNATIONALLY, REGIONALLY AND LOCALLY. REFLECTING THIS ACCOMPLISHMENT, WE DELIVERED A PROFIT BEFORE TAX OF RM740 MILLION.

On this note, I am glad to present to you our Annual Report for the financial year ended 31 December 2016.

### ECONOMIC LANDSCAPE

The global economic climate was turbulent in 2016, with subdued investment and sluggish trade weighing down both emerging and developed nations. The slowdown in China's economy as well as unanticipated political developments contributed to volatile market conditions.

The Malaysian economy recorded steady progress in 2016 with gross domestic product expanding to 4.2%. This was underpinned by modest growth in domestic demand as well as private consumption and investment. On the flip side, this was moderated by a decline in public expenditure.

Major economic sectors, namely services, manufacturing, mining and construction, expanded during the year. The agricultural sector also saw an improvement, contracting at a slower pace as the effects of El Nino diminished.

### FINANCIAL PERFORMANCE

Your Group recorded a sterling profit after tax of RM589 million for the year. Key contributors were our Property and Plantation Divisions, with almost all Divisions turning in solid performances amidst the tough environment.

Earnings per share was 20 sen while net assets per share stood at RM2.81. Shareholders' funds at the close of the year was RM5.7 billion.





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

## Chairman's Statement



**SHAREHOLDERS'  
FUNDS  
RM5.7  
BILLION**



**DIVIDEND  
17.5 SEN**



*The Royale Chulan Kuala Lumpur*

### DIVIDEND

We remain steadfast in our commitment to enhance value for our shareholders. In line with this, the Group announced a fourth interim dividend of 3.5 sen per share. This will bring total dividends to 17.5 sen per share, representing a dividend yield of 6.6% based on the closing price for the financial year. The fourth interim dividend of 3.5 sen will be paid on 28 March 2017 to shareholders on the register as at 16 March 2017.

### HUMAN CAPITAL

We would not have been able to achieve such excellent results if not for our talent pool. Over these many decades, by attracting, developing and retaining a skilled and competent workforce, we have ensured that we are able to compete in an increasingly competitive economic landscape.

In order to nurture a strong talent pool, we are focused on implementing talent development programmes and providing opportunities for our employees to hone their capabilities and leadership skills. We foster a performance-driven organisational culture, with highly engaged employees to realise our goals and aspirations.

### SUSTAINABILITY

As a leading Malaysian conglomerate involved in key sectors of the economy, we are dedicated to advancing our Government's goal of transformation. Sustainability is integral to us, contributing not only to our own development, but also to the development of our nation. With our strong commitment to making a positive impact on the communities we have a presence in, sustainability has always been part and parcel of our business. This allows us to cultivate a holistic ecosystem that is conducive to long-term growth.

To further demonstrate our commitment, in 2016 we solidified our efforts by establishing a more aligned structure for sustainability to take precedence within our Group. We have formed a Sustainability Committee, consisting of a Board Committee and a Management Steering Committee. In tandem with the Sustainability Vision and mandate that we have established, we effectively structured the Group's sustainability framework to drive our objectives and policies.

## OUTLOOK

In the year ahead, the global economy is expected to mirror its performance in 2016. Slower growth in the major economies will very likely be the order of the day. This will be tempered by ongoing volatility of commodity prices, economic policy uncertainties and geopolitical movements.

In Malaysia, the economy is expected to expand by 4.5% in 2017, with domestic demand being an impetus for growth. Private consumption supported by wage and employment growth accompanied by Government measures to boost household income is expected to contribute to this. We are confident that the Government's efforts to prioritise the welfare of Malaysians and build a better future for the nation, encapsulated in the 2017 National Budget, will have a positive impact on the Group.

This encouraging outlook augurs well for us. Moving forward, we are optimistic that we will be able to remain resilient as we strive to strengthen our foundation, driven by our six core Divisions.

## ACKNOWLEDGEMENT

I would like to convey my deepest appreciation to our Board members for their invaluable expertise and guidance in leading the Group forward. To our management team and employees, thank you for your hard work and dedicated efforts in ensuring our success.

Our sincere gratitude to our major shareholder, Lembaga Tabung Angkatan Tentera, for their continued trust in us. And to our shareholders, financiers, business associates, consultants and the regulatory authorities, thank you for your unwavering support and confidence in the Boustead Group.



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

Chairman  
1 March 2017







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

DEPUTY CHAIRMAN/  
GROUP MANAGING  
DIRECTOR

# Chief Executive's Review

“It is the diversified nature of Boustead that has enabled us to generate such a handsome profit.”

## DEAR SHAREHOLDER,

WE HAVE CROSSED A SIGNIFICANT MILESTONE IN THE GROUP'S HISTORY, AS WE ACHIEVED THE SECOND HIGHEST PROFIT BEFORE TAX SINCE OUR ESTABLISHMENT. IF YOU RECALL IN MY REVIEW LAST YEAR, WE WERE HAMPERED BY SIGNIFICANT EXTERNAL CONDITIONS THAT DROVE EARNINGS DOWN. WE ARE PLEASED TO NOTE THAT IN THIS FINANCIAL YEAR, WE OVERCAME THESE EXTERNAL CONDITIONS AND ACHIEVED COMMENDABLE SUCCESS.

Most of our Divisions performed over and above expectations, as we strengthened our resolve to improve efficiencies, unlock value and most of all, maintain a keen focus on our bottom line.

### FINANCIAL PERFORMANCE

It was not all smooth sailing during the year, more so as market forces weighed down on your Group's potential. In spite of these challenges, we delivered an impressive profit of RM740 million. This included gains from divestment of an associate company and disposal of lands that would not have contributed significantly to the bottom line over the long-term.

This was achieved on the back of a revenue of RM8.4 billion. Profit after tax clocked in at RM589 million, a significant fourfold increase from the previous year. Our businesses and operating companies performed handsomely with the Property Division leading in profit contribution, followed by our Plantation and Trading & Industrial Divisions. The Finance & Investment and Pharmaceutical Divisions also contributed to the bottom line. The Heavy Industries Division recorded a deficit as it experienced unexpected tough external conditions.

As you would recall, even during tough times and depressed earnings, your Group has maintained its firm resolve to deliver shareholder value.

## Chief Executive's Review



**TOTAL ASSETS**  
**RM17.9**  
**BILLION**



**REVENUE**  
**RM8.4**  
**BILLION**

For this financial year and reflecting excellent results, we are committed to award our shareholders through attractive dividends. Given our prudent management of cash flow and to enhance shareholder value further, total dividends for the year will be 17.5 sen per share. This represents a yield of 6.6% and a total payout of RM305 million based on an enlarged share capital which took effect in 2016 compared with the payout of RM207 million in 2015.

On the back of our strong balance sheet, our gearing ratio was comfortable as it stood at 0.9 times. At the same time, shareholders' funds were RM5.7 billion.

Our key performer, particularly over the last few financial years, was the Property Division. This year, the Division maintained its track record with an

even higher profit of RM324 million, marking a 133% increase from the previous year. Its achievements were driven by gains realised on disposal of an associate company as well as contributions from ongoing property development projects. The Division's contribution to the Group's bottom line was a significant 44%.

Propelled by Boustead Plantations Berhad, which is into its second full year as a listed company, the Plantation Division delivered an exceptional performance, recording a profit of RM276 million, a 190% jump from the previous year. This was supported by gains realised on disposal of lands and divestment of a subsidiary, along with higher product prices which boosted earnings. The Division's profit contribution to the Group amounted to 37%.





The Trading & Industrial Division achieved a profit of RM147 million, up by 287% from last year, representing a profit contribution of 20% to the Group. These results were primarily driven by better performances by Boustead Petroleum Marketing Sdn Bhd (BHPetrol), which today remains a key participant in Malaysia's retail petroleum market and UAC Berhad, a leader in the building materials segment.

The Finance & Investment Division recorded a higher profit of RM61 million, a 39% increase from last year. The banking and finance sector experienced a tough environment, given macroeconomic conditions. In spite of such challenges, the Affin Group led the Division in terms of profit.

The Pharmaceutical Division registered a profit of RM52 million, contributing 7% to the Group's profit. The Division was impacted by lower Government orders during the year. This was partially due to reduced buffer stocks required by Government hospitals, owing to higher delivery efficiency arising from the implementation of the Pharmacy Information System. Higher operating and finance costs also had an impact.

The key contributor to the Heavy Industries Division was Boustead Heavy Industries Corporation Berhad (BHIC), turning in a strong profit of RM77 million. However, the Division was affected by deficits incurred by Boustead Naval Shipyard and MHS Aviation, which offset the progress achieved by BHIC.





## Chief Executive's Review

### CORPORATE INITIATIVES

As we focused on delivering operating profit for our respective businesses and companies, we pursued effective solutions to strengthen the Group's corporate position while improving operating efficiencies to drive bottom line growth.

Given our reach and magnitude, we have at our disposal various opportunities to achieve better economies of scale for the benefit of the Group. In tandem, we strive to enhance our balance sheet and liquidity. In 2016, we successfully concluded our rights issue, raising gross proceeds of RM1 billion. This has enabled us to strengthen our

financial position and reduce interest costs for the Group. It will provide us with a stronger impetus to accelerate our growth given our cash position.

Concurrently, we embarked on a bonus issue to reward our loyal shareholders for their support through the opportunity for greater participation in the equity of BHB. This corporate exercise involved the issuance of bonus shares on the basis of two bonus shares for every five shares held by shareholders after the rights issue. In total, we issued 579 million bonus shares thereby expanding our capital base, which is now in excess of RM1 billion.

We remain committed to enhancing value for the Group, both organically and inorganically. As a reflection of this, we completed the disposal of non-core lands in Kulaijaya, Johor, along with the divestment of Boustead Sedili Sdn Bhd. This is part of our objective to ensure the effective

management of our plantation land bank, especially for assets that do not meet our expectations in terms of yield and contribution.

Meanwhile, we are supportive of the Government's aspirations to build an integrated and efficient urban rail transport network via the Mass Rapid Transit (MRT) system. In line with this, we recorded a gain arising from the Government acquisition of land on which BHPetrol service stations were situated for the development of the MRT.

In the last many years, we have taken a more decisive and strategic analysis of our businesses and investments. This is premised on our intention to unlock the potential of our portfolio of investments and improve our corporate structure. Our efforts over the years have borne much fruit and in 2016, we further streamlined our operations which saw a restructuring of UAC Berhad. With this new structure, Boustead Sissons Paints Sdn Bhd and Boustead Global Trade Network Sdn Bhd are now subsidiaries under the direct management and leadership of the UAC Group.

Further to this, we are committed to improving efficiencies by divesting investments that do not have long-term prospects and are not strategically aligned with the Group's business plans. In light of this, following a review of our portfolio, Boustead Engineering Sdn Bhd and Boustead Atlas Hall Sdn Bhd will be ceasing operations. Similarly, we have completed the disposal of the







Launch of BHPetrol's electric vehicle charging station

property and assets of Johan Ceramics Berhad and the company is in the process of winding up. This is part of our aim to ensure that our various businesses continue to perform and contribute to our growth.

We have renewed our focus and deployed additional resources at the leadership level to strengthen the Heavy Industries Division. There are clear low hanging fruits to improve cost structure and concentrate on businesses that will provide long-term viability to the Division, minimising pressure on its balance sheet.

## SUSTAINABILITY COMMITMENT

Your Group has executed numerous initiatives over the many decades to contribute to the development of Malaysia. As testament to this philosophy of supporting the betterment of society, we are conscious that sustainability is vital to our success. By adhering to a strategy of sustainable growth and inculcating an organisational culture founded on sustainable development, we have been able to create long-term value for the Group as well as for society.

In this year's Annual Report, we have taken a more thorough evaluation of our sustainability practices, which are segmented into three core pillars, namely Economic, Environment and Social. To cement this drive, we have also developed a Sustainability Vision, themed *Building a Legacy of Sustainable Growth as a Leading Diversified Conglomerate*.

In order for any initiative to achieve its objectives, it must be led by various levels of leadership within the Group. A comprehensive mandate has been put in place which sets out a clear road map from Board to Management to operating units to achieve alignment towards sustainable success.

## OUTLOOK

At Group level, we are currently in talks with our financial advisors to draw up an effective strategy to determine funding options for our two bonds worth RM1.2 billion that will mature in the next 12 months. This prospective refinancing exercise is aimed at providing the Group with further financial flexibility.

In tandem, our capital expenditure for the coming year will be in the region of RM700 million. Core areas will include the ongoing construction of Nucleus Tower in Mutiara Damansara and the development of The Royale Chulan Cherating. In order to expand our retail petroleum network, capital expenditure will also be deployed for new BHPetrol service stations. This is in addition to ongoing capital expenditure commitments by the respective Divisions.

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## Chief Executive's Review

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It is the diversified nature of Boustead that has enabled us to generate such a handsome profit in trying times. We do not expect the year ahead to be rosy, as we are certain global geopolitical shifts will impact Malaysia. Your Group continues to evaluate and fine-tune our business strategies while preparing our various operating units for the challenges that will come our way. Not only are we confident, we are bullish that we will weather these storms to deliver another set of good earnings.

On this note, our Property Division, with its vast array of prime commercial assets and office buildings, is expected to deliver recurring earnings to the Group's bottom line. In particular, our portfolio of retail assets is expected to do well, more so as we are the only owners of two retail commercial precincts located on the MRT line, namely our Mutiara Damansara township and MyTOWN Shopping Mall. These properties are set to benefit significantly from the greater connectivity and accessibility provided by the MRT. In addition, we have progressively commenced development of Mutiara Balau in Semenyih, which is set to become our third township.

Though our Plantation Division will no doubt be bound by the vagaries of commodity prices, we will redouble our efforts to improve yield and agronomic practices to deliver a more efficient plantation business. In the coming year, we will also see the divestment of assets as the Division expects to conclude the disposal of lands in Seberang Perai Utara, Pulau Pinang, for a total cash consideration of RM620 million. The sale consideration is at the highest end of the premium for land of this nature. Weighing the prospects of maintaining the asset, the sale of the land offers greater value to the Group. This will further strengthen our cash flow position tremendously.



*Ice-skating rink, The Royale Chulan Damansara*

In our Pharmaceutical Division, we are focused on expanding our presence in Indonesia, where we have seen an increase in top line growth. Although we do not foresee immediate contributions to our bottom line due to thin margins, Indonesia remains an exciting market.

Along with this, we will be expanding our portfolio of products through our partnership with international companies to bring the latest cancer treatment drugs to hospitals in Malaysia.

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The landscape of the banking industry is evolving with heightening competition. Financial technology, also known as fintech, will certainly impact this sector. Amidst this environment, we are confident that our investment in the Affin Group will make a sustained contribution.

Through our involvement in the automated traffic enforcement segment via Irat Properties Sdn Bhd, we are optimistic that the concession agreement with the Government will be concluded in 2017, which will have a direct impact on our bottom line. Beyond commercial objectives, this is another effort by the Group to participate in nation building by assisting to reduce the increasing rate of traffic accidents in Malaysia.

We expect the construction industry to see positive growth in the year ahead. In particular, the domestic demand for Industrialised Building System (IBS) will grow in tandem with the Government's push for its greater use in the construction industry. This certainly bodes well for UAC Berhad, given its well-established innovative IBS Wall System product range.

In our Heavy Industries Division, we are committed to our ongoing cost optimisation exercise and expect to see much progress on this front in 2017. Over the years, the Division has contributed significantly to the enhancement of the Royal Malaysian Navy's (RMN) assets and we remain fully dedicated to delivering superior quality ships to meet the nation's vision to achieve self-reliance in maritime defence. On this note, we are on track to complete the construction of our first Littoral Combat Ship for RMN in 2019.

MHS Aviation Berhad is in discussions to resolve a contractual dispute with key clientele. It aims to reach an amicable settlement in the coming year, which will positively impact its operations.

The following Divisional commentaries will provide you with a further elaboration on how the various operating units have performed. What is glaringly clear is the fact that we have intensified our efforts and pushed harder to deliver results. As the entire business landscape evolves due to technology and local and foreign market trends, the Boustead Group will explore new avenues to unlock value and improve shareholder confidence.

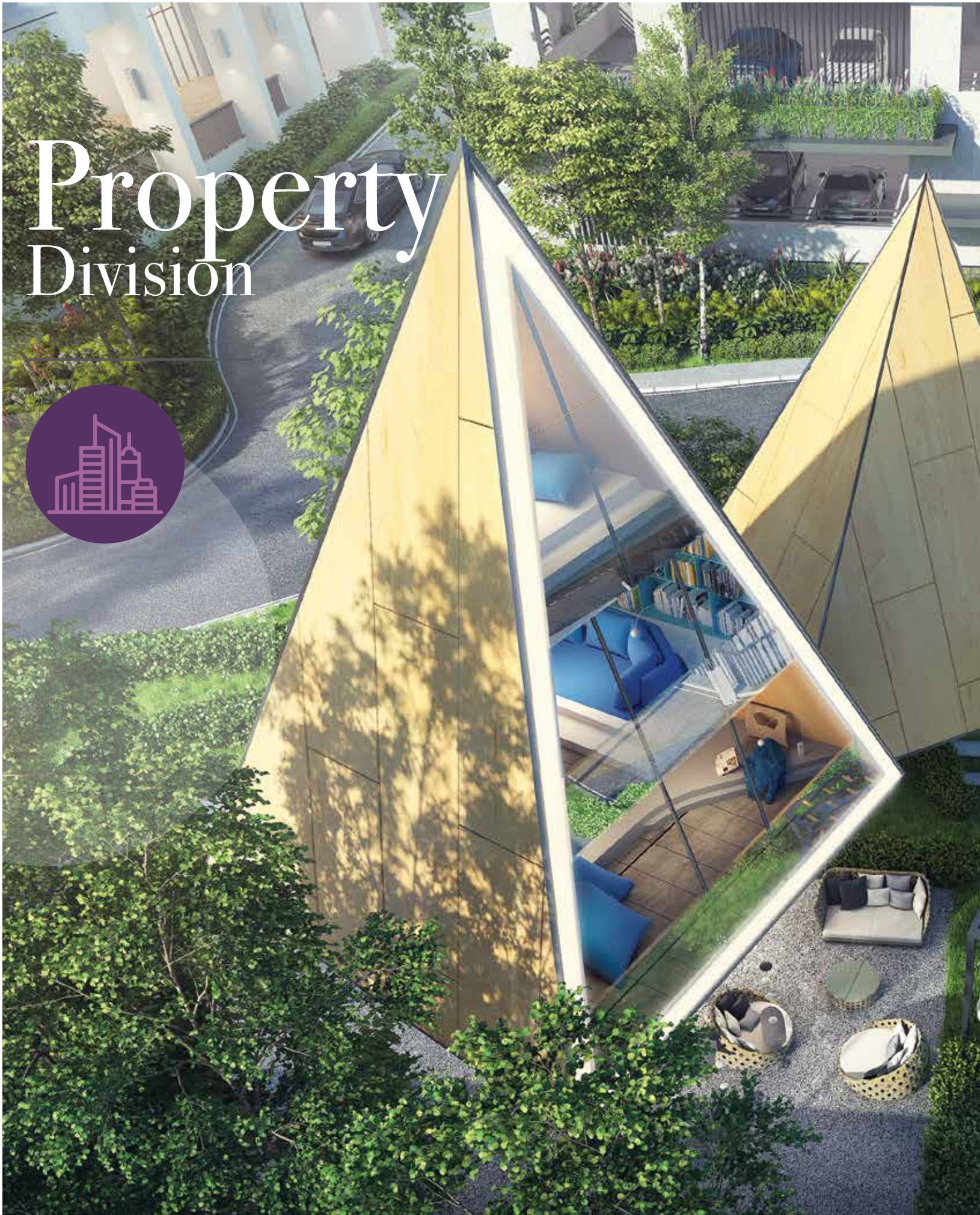
We have a synthesis of seasoned business leaders with young bright professionals who form the backbone of the Group's talent pool. This will drive the multitude of businesses that we have, irrespective of the economic climate.

I would like to thank our shareholders who have been with us these many years for their unwavering loyalty. To new shareholders, we assure you that ours is a Group that will not rest on its laurels and we will find new ways to deliver value.

**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**  
Deputy Chairman/Group Managing Director  
1 March 2017



# Property Division







AFFORDABLE  
HOMES

**1,055** UNITS  
COMPLETED  
IN 2016

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## KEY FACTS

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MYTOWN  
SHOPPING CENTRE  
OPENS MARCH  
**2017**



## Property Division



*Semi-D Rumah Mampu Milik Johor*

The Property Division achieved strong earnings with a record profit of RM324 million in 2016, compared with RM139 million in the previous year. This outstanding performance was mainly due to the gain realised on disposal of its associate company Jendela Hikmat Sdn Bhd, amounting to RM210 million.

### PROPERTY DEVELOPMENT

Our property development segment posted a profit of RM289 million in 2016, primarily as a result of the gain on disposal of Jendela Hikmat Sdn Bhd. Profits from ongoing property development activities also contributed to this.

The year under review saw the successful completion and handover of 1,055 units of affordable homes and low-medium cost houses in our Taman Mutiara Rini development in Johor to purchasers. These affordable homes were launched in 2014 to serving and retired members of the Armed Forces and eligible purchasers with monthly household incomes below RM4,500.

In Phase 5 of Taman Mutiara Rini, we launched the remaining 403 units of double storey terrace houses during the year, while a total of 331 units in Phase 1L were handed over to purchasers.

The Mass Rapid Transit (MRT) Line 1 was launched in December 2016, with the Mutiara Damansara station named after the thriving integrated township. Providing greater connectivity and accessibility, the MRT will serve to further elevate the status and value of the properties in Mutiara Damansara, especially since a ridership of 1.2 million was recorded in its first month of operation, albeit during the trial period. This heartening news is expected to benefit the township, especially its commercial precinct.

The Mutiara Damansara MRT Station No. 8 is linked to eCurve, the Curve and The Royale Chulan Damansara Hotel via a link bridge connection to Surian Tower's car park. The covered pedestrian walkway stretches from the MRT Station to Tesco Hypermarket and Curve NX, which houses KidZania Kuala Lumpur.



REVENUE

**RM670**  
MILLION



PROFIT  
BEFORE TAX

**RM324**  
MILLION



Construction work is ongoing on our Nucleus Tower, with superstructure works nearing 40% completion. Located in the corporate precinct of the Mutiara Damansara township, this iconic office tower is designed to be Green Building Index (GBI) Gold certified with MSC status. Some of the GBI features of Nucleus Tower include a thermal storage tank to store cold water for the building's air conditioning system and a destination control system for the lifts, which will reduce waiting and travel time. Other features include the use of special low e-value glass, rainwater harvesting, use of solar panels and provision of dedicated electric vehicle car parks.

We have completed the construction of the Sales Gallery of our One Cochrane Residences, which now houses scaled models of the condominium project as well as actual-sized show units for interested purchasers to view the layouts of these condominiums.

## PROPERTY INVESTMENT

This segment registered a profit of RM51 million compared with RM99 million last year mainly due to lower fair value gains.

Our retail investment properties, the Curve and eCurve, commanded strong consumer appeal by evolving in line with shoppers' needs. This includes refreshing the tenant mix with several new international brand outlets, namely Next Kids, Shakeaway and Lamy at the Curve and Salomon at eCurve.

Our ongoing enhancement efforts saw the establishment of a pedestrian link bridge from the Curve to Tesco. We completed other initiatives as well in the Kids Zone Phase 2, the Fashion Mall, the Western Courtyard Entrance and the upgrading of public restroom facilities at the Street.

Our shopping malls remained destinations of choice for several prominent events during the year, such as The Star Property Fair, CHARM Cheerleading Championship, Subaru Palm Challenge and the Play-Doh 60th Birthday Fiesta held at the Curve. eCurve played host to a number of gala premier movie launches, Hari Sukan Negara Selangor State Launch and the Fitness First 15th Anniversary Celebration.



*Nucleus Tower office building under construction*



## Property Division



*Security gates at Menara Boustead*



*Kids Zone at the Curve*

MyTOWN Shopping Mall, in which the Group has a 50% interest, obtained its Certificate of Completion and Compliance in November 2016 and will open its doors to the public in March 2017.

Refurbishment efforts are continuing across our stable of office investment properties, namely Menara Boustead, Wisma Boustead, Menara Affin and Menara Boustead Penang. This included the replacement of passenger and service lifts, upgrading of restrooms and replacement of air conditioners and cooling towers. In order to strengthen safety measures, we installed panic buttons in the multi-storey car park in Menara Boustead, as well as security gates and door access systems in Menara Boustead and Wisma Boustead.



We are pleased that our minority investment in an indoor theme park is bearing fruit, with KidZania Singapore opening its doors beginning April 2016. Maybank, Qatar Airways and Nickelodeon are some of the sponsors of KidZania Singapore.

### HOTELS

It was a challenging year for Malaysia's hospitality and tourism industry amidst a sluggish global economic climate. As a result of this, our hotel operations were impacted in 2016.

Despite the tough environment, The Royale Bintang Kuala Lumpur performed well with higher occupancy rates and food and beverage sales. Meanwhile our Royale Bintang The Curve and Royale Chulan Kuala Lumpur hotels generated good meeting and convention banquet business.

At our ongoing Royale Chulan Cherating development, 18 units of villas were successfully completed and are now open for guests.

Beyond Malaysian shores, our Royale Chulan Hyde Park Hotel in London is establishing itself as a boutique and niche hotel in a prime location. We have a strong Malaysian guest base and will continue to build our reputation here.



*The Royale Chulan Cherating, Pahang*

## OUTLOOK

Although challenges persist in this highly competitive industry, by leveraging on our strong portfolio of investment properties and property development projects, we are confident that the Division will remain a key contributor to the Group's success.

We will be embarking on our third township development project this year. Earthworks for Mutiara Balau, a 240-acre mixed development project in Semenyih adjacent to the University of Nottingham Malaysia Campus, will be commencing soon. We expect to launch our double storey terrace houses later this year.

MyTOWN Shopping Mall, which is located in the city centre is expected to do well once it opens its doors to shoppers in March 2017. Its anchors will include Parkson Department Store, GSC Cinema, Village Grocer, Food Empire and Celebrity Fitness as well as our in-house community pharmacy, RoyalePharma.

With Line 2 of the MRT set to be completed by July 2017 and the Cochrane MRT Station expected to be operational by then, we will have two shopping malls with MRT connectivity.

We will maintain our focus on enhancing our commercial and retail properties through continuous upgrading initiatives and refurbishment. At Surian Tower, LTAT plans to construct two additional car park levels over the existing podium car park. This will better serve the needs of the growing number of visitors, tenants and businesses in Mutiara Damansara.

At the same time, the opening of the MRT station in Mutiara Damansara is expected to have spillover benefits for the township, creating greater ease of accessibility as well as adding further value to the area. Our Royale Chulan Damansara Hotel, which is located at the doorstep of the Mutiara Damansara MRT station is expected to benefit from this new mode of transportation in the Klang Valley. Likewise, with the MRT construction in the Kuala Lumpur area slated for completion by mid-2017, we are optimistic that this will have a positive impact on our Royale Chulan Kuala Lumpur Hotel and MyTOWN Shopping Mall.

Meanwhile, we are set to commence construction of the hotel block of our Royale Chulan Cherating development in early 2017 to complement the 18 villas that are already operational. As a popular tourist destination, Cherating is indeed an ideal location to expand our hotel operations and once completed, we are confident this will contribute positively to the Group.

Building on these solid prospects, we are optimistic that we will be able to maintain our momentum in the year ahead.



# Plantation Division

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AVERAGE OER  
**21.5%**

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## KEY FACTS

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AVERAGE  
CPO PRICE  
**RM2,584**  
PER MT

## Plantation Division



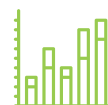
Despite the volatile global economy and unstable market conditions, the Plantation Division was a key contributor to the Group in 2016, delivering an improved profit of RM276 million compared with RM95 million in the previous financial year.

This strong performance was driven by gains realised on disposal of lands and the disposal of Boustead Sedili Sdn Bhd, amounting to a total of RM158 million. Better palm product prices also boosted the Group's profit.



### MARKET REVIEW

The year commenced on a bleak note, with crude palm oil (CPO) weighed down by reduced demand and high inventories. This saw CPO prices dipping to RM2,175 per metric tonne (MT) in January 2016.



REVENUE

**RM708**  
MILLION



PROFIT  
BEFORE TAX

**RM276**  
MILLION

Although faced with a challenging start, the CPO market picked up in the latter half of the year as the El Nino effect was longer than usual, leading to an unprecedented lengthy drought. This subsequently resulted in lower CPO production and a marked decline in palm oil stocks, which saw CPO prices rallying to a high of RM3,268 per MT in December 2016.

Further supporting CPO prices during the year was Indonesia's biodiesel policy, as the government's B20 biodiesel programme drove consumption. The falling Ringgit and increased crude mineral oil prices shored up CPO prices as well.

For the year under review, the Group recorded an average CPO price of RM2,584 per MT, up by 20% from RM2,148 per MT in the previous year. Average palm kernel price increased to RM2,460 per MT, reflecting a 60% hike.

## ESTATES AND MILLS

As at 31 December 2016, the Group's combined land bank stood at 82,500 hectares (ha), compared with 83,200 ha last year. This was mainly due to the disposal of Boustead Sedili Sdn Bhd as well as other lands in Johor, which led to a reduction in our land bank.

The area under cultivation of our 41 estates across Peninsular Malaysia, Sabah and Sarawak, totalled 64,500 ha, out of which 57,400 ha are mature palms and 7,100 ha are immature palms.

Fresh fruit bunches (FFB) production declined by 12% to 909,000 MT in 2016, with yield averaging at 15.6 MT per ha. Our Peninsular estates saw average yields of 16.7 MT per ha, a drop from the previous year. This was mainly attributable to the prolonged period of dry weather caused by El Nino, which had a greater impact on the northern peninsular region, as well as shortage of skilled harvesters, particularly for taller palms.

We registered FFB yields averaging 16.6 MT per ha at our Sabah estates. This was lower than last year, primarily due to the harsh dry weather conditions of 2015 and 2016 which led to a decline in crop production coupled with poorer performance in tall palm areas which was due to a lack of skilled harvesters.

Average yield per ha for our Sarawak estates stood at 11.5 MT per ha. Our operations continued to be hampered by native land disputes and the associated field blockades. Shortage of skilled labour and the effects of the monsoon season also played a role during the year.



View of Sungai Jernih Estate & Mill complex



## Plantation Division



*Mechanical Tractor Grabber*

Our 10 palm oil mills processed a total of 1,012,000 MT FFB, of which 85% comprised fruits from our own estates. Our average oil extraction rate (OER) was 21.5%, a slight decline from 21.9% last year. Nevertheless, we surpassed the Malaysian Palm Oil Board's (MPOB) average of 20.2%. Our Sungai Jernih Palm Oil Mill once again achieved the highest OER for the year with 24.7%, while our Segaria Palm Oil Mill in Sabah maintained the second highest OER with 24.6%.

As a result of the reduction in FFB processed, FFB production cost averaged at RM300 per MT and milling costs rose to RM75 per MT. Cost of palm oil production per MT averaged at approximately RM1,626.

CPO production stood at 218,000 MT, lower than 245,000 MT in the previous year. Palm kernel production was 44,000 MT, a drop from the previous year due to the lower FFB processed. Average palm kernel extraction rate was 4.4%, a marginal reduction from last year's average of 4.6%.

As part of our ongoing productivity drive and cost optimisation initiatives, we implemented mechanisation efforts across our estates. In our field operations, we utilise tractor mounted mechanical fertiliser spreaders for manuring wherever possible, controlled droplet applicators and power sprayers for management of weeds, pests and diseases. Where there is suitable terrain and empty fruit bunches (EFB) are readily available, tractor drawn compartmental trailers are used to apply EFB into palm interrows as mulching, to improve vegetative growth and yields of the palms.

In addition, for our harvesting activities, we utilise mechanised tools such as motorised FFB cutters and carbon graphite fibre harvesting poles. Evacuation of FFB using mini-tractors fitted with mechanical grabbers and high lift trailers or MTG system is being used. Along with enhancing efficiency, these measures allow us to reduce labour requirements.

Apart from this, we act as consultants for external clientele for the construction of two palm oil mills. We also provide plantation management services for approximately 5,700 ha of oil palm plantation not owned by the Group.

## RESEARCH AND DEVELOPMENT

Our research and development initiatives remain a core pillar of the Division's growth, led by our associate research arm, Applied Agricultural Resources Sdn Bhd (AAR), which spearheads research into high-yielding oil palm planting materials and efficient planting practices. This has enabled us to greatly strengthen productivity.

We are focused on crop improvement with the development of genetically superior oil palm planting materials. As testament to this, our AA Hybrida IS and AA Hybrida II produce 22% and 57% more oil yield respectively than our previous AA DxP.

In addition, the ISO certified AAR Tissue Culture Laboratory developed high-yielding tissue culture ramets with oil-to-bunch ratios of 34%. In the year under review, a total of 2,180 ha was replanted with AA Hybrida II and AA Vitroa planting materials. To date, we have approximately 19,000 ha planted with these high-yielding planting materials.

Meanwhile, we have progressed in the search for control measures against the Ganoderma infection. A biocontrol candidate was found to help reduce the severity of the disease and is currently being field-tested.

We utilise unmanned aerial vehicles and Global Positioning Systems for field mapping and assessment of our estates. This allows us to rapidly collate information for drainage, road and infrastructure planning, planting and replanting operations, and other applications.

## OUTLOOK

In the year ahead, we are committed to strengthen our core business and unlock further value. We are focused on seeking out additional plantation land to grow our portfolio.

In tandem with this, we will enhance our operating efficiency by utilising high-density planting materials as well as by implementing best practices. In fact, we are accelerating the

replanting of old palms at our estates. This will enable us to boost productivity and ultimately contribute to our earnings.

Meanwhile, prospects are encouraging for the palm oil industry in 2017. As a result of the reduced palm oil stockpiles in the second half of 2016, CPO prices are forecast to remain high in the first half of the year, predicted to trade between RM2,700 to RM3,300 per MT. This is supported by the weakening of the Ringgit and higher crude mineral oil prices.

It is anticipated that palm oil production will rebound in the latter part of 2017. The expected higher soybean crop harvest from the United States and Brazil could also have an impact on CPO prices. Furthermore, the narrowing spread between soybean oil and palm oil prices seen over the past few months could curtail international demand for palm products, as traditional palm oil importers such as India may switch consumption to soybean oil.

Despite these potential headwinds, we are confident that the outlook is promising for the Division, particularly as we continue to build on our strong foundation.



AAR Tissue Culture Laboratory in Ijok, Selangor