Pharmaceutical Division

29
PRODUCTS
SECURED HALAL
CERTIFICATION

KEY FACTS

AIM TO DEVELOP
>250
PRODUCTS BY 2024

Pharmaceutical Division

The Pharmaceutical Division recorded a profit of RM52 million compared with RM90 million in the previous financial year. The manufacturing segment was a core contributor while the logistics and distribution business was impacted by a decline in orders.

MANUFACTURING

The manufacturing segment registered a lower profit of RM87 million. This was primarily due to lower offtake of in-house products under the concession business.

Our ongoing cost optimisation initiatives at our manufacturing facilities continued to bear fruit. This included process and yield improvement programmes, which enabled us to reduce cycle times and increase batch sizes.

Along with reducing manufacturing costs and generating savings, these initiatives enabled us to increase our manufacturing output. This subsequently allowed us to fulfil local Government tender, private sector and international market requirements, with competitively priced, high quality products.

The new Lyophilisation facility at Pharmaniaga LifeScience in Puchong

PT Errita plant in Bandung, Indonesia

In line with our objectives to strengthen our manufacturing capabilities, we completed our lyophilisation manufacturing facility in 2016. This allows us to produce freeze dried chemical based injectable products. This is indeed a key milestone, as we are the first in Malaysia to manufacture these products.

We acquired a new manufacturing facility which is the sole producer of collagen-derived medical devices in Malaysia for the management of wound care. We currently have four products undergoing the necessary approval process for JAKIM and CE marketing certifications.

The halal industry presents exciting opportunities, particularly given the vast prospects in the sector for halal-certified products. To tap into this, we attained halal certification for all our manufacturing facilities. We have 29 halal-certified products, with more pending approval.

We successfully grew our product portfolio with 48 new products, of which 23 products were developed in 2016. To date we have a total of 430 products in our portfolio. Along with this, we made further inroads into the distribution of medical devices, with 28 products on track for registration with the Medical Device Authority.

In a significant development, we obtained market authorisation from Portugal for one of our products. This marks our first product licensed for sale in Europe, which is indeed an achievement.

Our Indonesian operations led by our subsidiary, PT Errita Pharma, increased the number of prescribed and over the counter (OTC) products during the year. This was complemented by facility upgrades, procurement exercises, cost and process improvements in addition to compliance enhancements.

PROFIT BEFORE TAX
RM52
MILLION

REVENUE
RM2.2
BILLION

Pharmaceutical Division

LOGISTICS AND DISTRIBUTION

The logistics and distribution segment registered a deficit due to lower orders from the concession business. This was moderated by revenue growth in our Indonesian operations as well as the private sector business. As a result, revenue for the year was RM2.2 billion, consistent with the previous year.

We maintained our commitment to upholding optimal stockholding levels in conformity with our performance standards as agreed with the Ministry of Health (MOH). We successfully rolled out the Pharmacy Information System (PhIS) at over 1,100 Government hospitals and clinics nationwide during the year. This is a highly effective tool which streamlines processes at pharmacies and assists with management of stockholding, creating greater efficiencies. We also carried out buffer inspection activities at our suppliers' premises to ensure a continuous availability of stocks at our distribution centres throughout the nation. In terms of order fulfilment, we received over 113,000 orders this year, with 99.8% successfully distributed to MOH facilities across the country within the required time frame.

We received consistently favourable ratings in our customer surveys indicating high levels of satisfaction in our services. Our dialogue sessions with State Health Departments also demonstrated our good standing with public sector customers, with highly positive feedback.

Cold chain products in the warehouse are kept between 2-8 degrees Celsius

As part of our ongoing enhancement efforts, we implemented operational improvements for order processing, cold chain handling and cold room facilities. We also upgraded our branches to boost our service levels and plan to expand our new northern warehouse with a larger capacity of 20,000 pallets.

We expanded our clientele to three leading teaching hospitals and institutions, namely Universiti Teknologi MARA, Universiti Islam Antarabangsa and Institut Jantung Negara. This is in addition to the existing teaching hospitals which we provide products to Pusat Perubatan Universiti Kebangsaan Malaysia, Pusat Perubatan Universiti Malaya and Hospital Universiti Sains Malaysia.

We marked a milestone with Iqnyde, our generic sildenafil citrate product, which saw substantial growth in 2016 capturing more than 30% market share. Our traditional generics, Zithrolide, Aspira, Simvastatin, Co-Amoxicillin and Xylid commanded strong market share as well.

In the retail pharmacy segment, we made steady progress with the launch of our seventh RoyalePharma Pharmacy outlet. As a community-based pharmacy with an established alliance programme, RoyalePharma is uniquely suited to cater to localised consumer needs. In line with this, we set up a new warehouse to support our growth.

Our listed subsidiary in Indonesia, PT Millennium Pharmacon International Tbk (MPI), recorded an improved performance with a revenue of RM600 million, representing a year-on-year increase of 24%. This was mainly driven by our ethical product category as well as OTC and medical consumable products.

Although the market saw stricter industry regulations and heightened competition, we strengthened our operations with the opening of a new branch in Jawa Timur and acquisition of a new facility to broaden our logistics capabilities in Sumatera. With an established presence in 31 cities throughout Indonesia, MPI is well-prepared to respond to growing market demand. To expand our product portfolio, MPI secured the distribution rights for new principals.

Pharmaceutical Division

RESEARCH AND DEVELOPMENT

Our research and development initiatives remain an integral driver of growth. We conducted bioequivalence studies for our generic products to ensure the highest levels of quality, safety and efficacy. There are currently 66 products with bioequivalent status in our portfolio, with more in progress.

We received registration approval for the commercialisation of 18 new products in the health supplement, OTC, antibiotic, imported blood products and cosmetic categories. Applications have been submitted for 12 additional products.

Our phytomedicine projects, Kacip Fatimah (KF) and Patawali, made significant strides during the year. For the KF project, we received our first patent grant from the US Patent and Trademark Office for our unique KF extraction method, which produces high quality and high yielding KF water extracts. To ensure the safety, quality and efficacy of the product, we conducted pre-clinical trials at an accredited laboratory.

Product testing conducted at Pharmaniaga Manufacturing in Bangi

Similarly, the Patawali project which is a collaboration with the Forest Research Institute of Malaysia and Universiti Putra Malaysia, completed preliminary pre-clinical studies.

OUTLOOK

While market conditions are expected to remain challenging in the year ahead, we are confident that we will be able to weather through this. Particularly given the resilience of the pharmaceutical industry, there are vast opportunities that we will be able to capitalise on over the long-term. We are fully committed to delivering the highest standards of excellence to all our clientele, especially MOH.

As a leading generic manufacturer, product innovation is a priority as we strive to develop new, high quality products to meet the needs of the healthcare sector. Our aim is to develop over 250 new products by 2024 in a wide range of therapeutics, including cardiovascular, anti-infectives, anti-diabetics and analgesics, to name a few. Catering to the needs of diabetics patients, in 2017 we plan to launch a natural low calorie sugar based sweetener, Stevia.

Given our strong manufacturing capabilities, we are able to produce products in several different dosage formulations. This ranges from conventional oral solids and modified release formulations, to liquid orals, conventional injections and lyophilised injectable formulations.

We will implement further operational improvements in our manufacturing segment, including upgrading of equipment and facilities. In our logistics and distribution operations, we plan to increase the storage capacity of our warehouses.

Along with this, we are involved in a new project which will introduce innovative affordable drugs for the treatment of a type of viral infection, which currently impacts approximately 200 million people across the globe. As a collaboration between two global companies and the Malaysian Government, we will be the registration holder for these drugs. Apart from providing us with distribution rights for the region, this will allow for transfer of technology to benefit our manufacturing capabilities.

We are also collaborating with international companies to enhance our capabilities to manufacture the latest oncology drugs.

Tapping on the growing halal sector, we are applying for halal certification for additional products in 2017. Halal certification is now a standard product development procedure for all our new products moving forward, and we are in the process of certifying our storage and transportation operations.

Our retail pharmacies are another key business thrust that we are focused on developing. We aim to open more outlets in strategic locations, coupled with scaling up our digital platforms to reach out to more consumers.

In the international arena, we are focused on ongoing enhancements in our Indonesian operations. MPI will seek out viable opportunities to strengthen market share. We are also upgrading our manufacturing facility in Indonesia, PT Errita Pharma, with a view towards increasing production capacity along with continuous cost and process improvements.

RoyalePharma Pharmacy at Quill City Mall, Kuala Lumpur

Heavy Industries Division

FIRST REFIT OF
KD TUNKU ABDUL RAHMAN

KEY FACTS

KEEL LAYING
CEREMONY OF
LCS1

Heavy Industries Division

Boustead Heavy Industries Corporation Berhad (BHIC) recorded an improved performance during the year, which was however, dampened by the deficit incurred by Boustead Naval Shipyard Sdn Bhd (BN Shipyard) and MHS Aviation Berhad (MHS). As a result, the Division recorded a lower deficit of RM120 million for the year.

As a listed company, the **BHIC Group** delivered an improved profit of RM77 million compared with the previous year's deficit of RM30 million. This profit was a result of cost recoveries from our submarine In-Service Support (ISS) project, as well as project management expertise rendered for the Littoral Combat Ships (LCS) project.

The deficit recorded by **BN Shipyard** was due to an increase in costs for variation orders from Original Equipment Manufacturers (OEM) for the LCS project. In addition, cost overruns for the restoration and refit of KD PERANTAU impacted the bottom line. The reduction in the number of the Royal Malaysian Navy (RMN) vessels entering the yard for repair works also had an impact on profit.

In an effort to improve the Division's efficiencies, we reviewed our manpower requirements and undertook a mutual separation scheme across three key companies, which resulted in upfront costs of RM30 million.

REVENUE
RM994
MILLION

TOTAL ASSETS
RM4.1
BILLION

DSA Exhibition 2016

DEFENCE & SECURITY

Our expertise in the field of defence and security has enabled us to effectively cater to the specific needs of the RMN. The Group's comprehensive range of MRO services is utilised for military and commercial surface vessels, submarines, helicopters, critical equipment, essential control systems, defence electronics, weaponry, electrical equipment as well as engines.

In 2016, Minister of Defence, YB Dato' Seri Hishammuddin Tun Hussein officiated the keel laying ceremony for the first of six units of the LCS at BN Shipyard.

During the year, BN Shipyard undertook repair works for KD MAHAWANGSA, KD SRI INDERASAKTI, KD KASTURI and KD JEBAT. Refit works for KD LEKIU, KD PAHANG and KD GANYANG also took place and these vessels are expected to be handed over to the RMN in 2017. The restoration and refit of KD PERANTAU was completed during the year and delivered to the RMN in December 2016.

The Group's decision to undertake an Integrated Outfitting and Painting Programme along with a new approach to production planning in Phase 2 of the BN Shipyard Rationalisation Programme proved to be effective as we achieved on-time completion of ship repair and refit of several RMN vessels.

Phase 3 of the Rationalisation Programme is anticipated to commence in 2017 with rollout throughout all BN Shipyard operations. The focus of this phase of the programme will be the development of engineering capabilities and the fortification of the shipyard's management.

Our capacity to deliver cost-effective world-class support has resulted in the renewal of several ISS contracts with the Group by the Government.

Boustead DCNS Naval Corporation Sdn Bhd, which provides ISS and refit services for the RMN's two Prime Minister Class Submarines, KD TUNKU ABDUL RAHMAN and KD TUN RAZAK, commenced the first refit of the submarines in 2016.

BHIC AeroServices Sdn Bhd (BHICAS) which functions as an MRO centre to support the Malaysian Government's aircraft maintenance requirements for its fleet of helicopters, received a renewal contract for ISS for RMN's Fennec AS555SN helicopters. The extension, which runs until March 2019, involves an additional contract value of RM32.6 million.

Heavy Industries Division

In addition, BHICAS received a Letter of Acceptance (LoA) from the Government in 2016. The LoA is valued at RM62.6 million and entails the provision of Integrated Maintenance and Logistic Support Services for three units of the Malaysian Maritime Enforcement Agency's Dauphin AS365N3 helicopters until June 2019.

COMMERCIAL

The basic design stage of a 60-metre 60-tonne Anchor Handling Tug Supply Vessel was completed during the year. This undertaking, which comes under the Government's Entry Point Project, marks the first Malaysian-designed Offshore Support Vessel (OSV).

Through BHIC AeroTech Sdn Bhd, we are in the process of setting up a workshop within our hangar facility in Subang, which is expected to be ready for inspection by the Department of Civil Aviation by the third quarter of 2017. We will be offering MRO services involving aircraft wheels and brakes at the workshop.

ENERGY

Severe conditions in the oil and gas sector as a result of the low oil price environment had an impact on our Energy segment in 2016.

Boustead Penang Shipyard Sdn Bhd completed the installation and commissioning of equipment for the Belum Topsides (BE-SA) facilities for Murphy Sarawak Co Ltd during the year. The BE-SA platform was delivered on time and loaded out in 2015. As a result, the platform is now operational and has drawn its first gas. We are currently pursuing all disputed variation orders with the client.

MHS Aviation Berhad was also impacted by the decline of the oil and gas sector due to the plunge in oil prices. Further to this, PETRONAS Carigali Sdn Bhd (PCSB) unilaterally suspended the use of all five EC225 helicopters following an incident that was unconnected to MHS and PCSB.

First Malaysian-designed Offshore Support Vessel

The contractual dispute between MHS and our main clients, PCSB, ExxonMobil Exploration and Production Malaysia Inc, SapuraKencana Energy Inc and EQ Petroleum Production Malaysia Ltd has led to arbitration proceedings against PCSB to recover monies owing. MHS is currently in discussion with all parties for a satisfactory resolution to the dispute and a mutually beneficial settlement is expected to be reached in 2017.

OUTLOOK

While market conditions are anticipated to remain challenging, the Division is expected to fare well in the defence and security sector.

The construction of the LCS marks a significant milestone in modernising the RMN's fleet while advancing Malaysia's maritime and defence industry through knowledge transfer.

The first LCS unit is expected to be completed in 2019, while the keel laying ceremony for the second LCS unit was held in February 2017. The construction of the third LCS unit commenced in 2017.

In October 2016, BN Shipyard received a Letter of Intent from the Ministry of Defence for the supply of four units of Littoral Mission Ships (LMS) to the RMN. This project, which will span four years, is expected to commence by the end of 2017.

The supply of LMS is part of the RMN's transformation programme to fortify and modernise its fleet while at the same time improve cost efficiencies. The RMN's fleet will be streamlined from 15 classes of ships to five classes. While this signifies a reduction in the RMN's maintenance budget, we are confident of the long-term prospects for the Group as a result of this transformation plan especially in terms of shipbuilding opportunities.

The first two LMS units will be constructed in China with BN Shipyard acting as project manager. BN Shipyard will construct the subsequent two LMS units in Lumut, Perak. This programme is set to improve local shipbuilding capabilities, thereby reducing Malaysia's dependence on foreign expertise.

Apart from business opportunities from our key client, the Government of Malaysia, we will also be exploring regional Government business prospects where our ability to provide cost-effective and world-class delivery as well as servicing of naval vessels will provide us with a solid advantage.

Despite the challenging environment in the Energy sector, we will continue to bid for fabrication works involving topsides, jackets and wellhead platforms.

Finance & Investment Division

AFFIN BANK
107
BRANCHES

KEY FACTS

LAUNCH OF
TUANKU ZARA
TEACHING CENTRE AT UNMC

Finance & Investment Division

The Finance & Investment Division delivered a commendable profit of RM61 million compared with RM44 million in the previous year. This was achieved on the back of a higher contribution from the Affin Group, although dampened by a loss from our initial investment in a joint venture company.

Affin Holdings Berhad recorded a higher profit of RM738 million compared with RM514 million last year. Contribution to the Boustead Group was RM117 million, up from RM74 million in the previous year.

Affin Bank Berhad recorded a substantially improved profit of RM600 million compared with the previous year's RM458 million. This increase was mainly propelled by lower allowance for loan impairment, as well as higher net income.

The Bank commenced on a three-year strategic transformation journey termed AFFINITY in January 2016. Phase 1 of the programme involving analysis and planning was completed, leading to Phase 2 of the programme, focusing on the implementation of 32 new transformation projects, of which 18 were initiated in July 2016.

The Bank has identified projects across eight core pillars including targeted customer segments, delivery channels, products and solutions, operations, technology, people and organisation, performance management as well as risk and compliance governance.

Through AFFINITY, the Bank is currently undertaking enhancements to its digital banking capabilities to improve competitiveness and fulfil its aim of becoming a highly digital and innovative bank with a keen focus on fulfiling customer needs.

AFFINITY, which will be completed in 2020, is expected to enhance return on equity, operating income, fees to total income and lessen cost-to-income ratio in line with industry standards.

In terms of consumer banking initiatives, the Bank ran multiple campaigns in 2016 including AFFIN Double Reward, Raya Merdeka Bonanza, CNY FD Campaign and Special CNY FD Combo Campaign which received encouraging support from customers demonstrated by the strong increase in deposits during the year.

To date, the Bank has a total of 107 branches nationwide, comprising 98 conventional branches as well as nine Islamic branches. During the year, the Bank added one new branch in Tabuan Jaya, Sarawak to the fold.

Affin Bank Berhad's wholly owned subsidiary, *Affin Islamic Bank Berhad*'s profit increased by 25% to RM143 million compared with RM114 million recorded in the previous fiscal year as a result of increased operating income as well as a writeback of loan allowance for loan impairment compared with last year's charge.

Affin Hwang Investment Bank Berhad Group (Affin Hwang Capital) which is involved in three core business areas, namely investment banking, securities and asset management, posted a profit of RM130 million mainly due to improvement in net income which increased by 8% and reduced operating expenses.

One of the key initiatives for our investment banking segment was the Initial Public Offering (IPO) of Serba Dinamik Holdings Berhad, which was one of the largest domestic IPOs over the last 19 months. As for our securities business, we expect our joint distribution and marketing agreement with Bahana Securities to further enhance our outbound trade flows. In terms of our asset management segment, our assets under administration grew to RM36.3 billion on a year-on-year basis while our initial and management fees also grew on the back of 13 new funds launched in 2016.

Affin Hwang Capital (AHC) received a number of international and domestic recognitions in 2016. AHC was recognised by Asiamoney's Brokers Poll 2016 as the Most Improved Brokerage in Malaysia and ranked third for Best in Sales Trading in Malaysia. Additionally, AHC secured its position as the market leader in trading value and volume on Bursa Malaysia for the third year running. It also received multiple industry awards during the year.

AXA Affin Life Insurance Berhad recorded a lower deficit of RM16 million for 2016 compared with last year's deficit of RM29 million due to higher investment income and lower expenses.

AXA Affin General Insurance Berhad (AAGIB) posted an improved profit of RM181 million, signifying a 57% improvement compared with RM115 million recorded in the previous financial year due to higher underwriting results and higher investment income.

Policy processing for AAGIB was restructured during the year with a centralised processing centre in Melaka, which has led to substantial improvement in turnaround time as well as accuracy. Turnaround time improved substantially to 94% while the accuracy rate improved to 98%.

PROFIT
RM61
MILLION

TOTAL
ASSETS
RM2.9
BILLION

Opening of Denai Alam branch

Irat Properties Sdn Bhd has two streams of businesses. It holds a direct stake in two prime properties, Chulan Tower and The Royale Chulan Kuala Lumpur, which registered an attractive fair value gain for the year.

Through its automated traffic enforcement segment, the company holds concession agreements with the Government to install, operate and maintain traffic enforcement cameras and systems. At present, the company operates 14 cameras.

Irat Properties is in the midst of negotiating a revised concession agreement with the Government for the rollout of cameras. This is expected to conclude in the second quarter of 2017, following which we expect to see sustained revenue and profit contribution to the Group.

The implementation of the traffic enforcement cameras and systems is aimed at enforcing road safety and improving behaviour of road users in terms of controlling speed and abiding by traffic light laws. The ultimate goal is making roads safer for the public through improved road user behaviour.

Finance & Investment Division

Boustead Travel Services Sdn Bhd (BTS) performed well in 2016, posting a profit of RM6 million. BTS remains amongst the top five travel management companies in Malaysia. As testament to its high level of services, BTS received awards from leading airlines such as Emirates, Etihad Airways, British Airways, Singapore Airlines, Qatar Airways and Sabre International.

Boustead Travel's booth at MATTA Fair 2016

Corporate ticketing is a key driver of the business, providing a full suite of best-in-class services for corporate clientele as well as offering booking assistance and optimised transaction processing. In order to drive online bookings, BTS revamped its website with a fresh new look. This enhanced platform offers clients relevant content and assists with the management of online bookings.

Boustead Cruise Centre Sdn Bhd (BCC) posted stronger results driven by significant growth in the cruise segment. This was mainly due to an increase in overnight port stays by cruise vessels, as well as the introduction of daily 'cruise-to-nowhere' services, or short cruise excursions, by a cruise operator. In total, 134 international cruise vessels and 11 foreign naval vessels docked at our terminal during the year.

Tuanku Zara officiating the opening of Tuanku Zara Teaching Centre at UNMC

University of Nottingham in Malaysia Sdn Bhd, also known as the University of Nottingham Malaysia Campus (UNMC), continued to be a preferred higher learning institution. The total number of students at UNMC stood close to 5,000 for 2016.

To better support student development, UNMC established the Tuanku Zara Teaching Centre during the year. Launched by DYMM Raja Permaisuri Perak Darul Ridzuan, Tuanku Zara Salim, the Centre accommodates for evolving teaching patterns and learning behaviours.

As a well-established research institute, the university officially launched the Centre of Sustainable Palm Oil Research (CESPOR), which seeks to improve the sustainability of the palm oil industry. CESPOR has since embarked on multidisciplinary research projects including collaborations with industry players focused on a range of prevalent areas in the palm oil industry value chain.

Boustead Shipping Agencies Sdn Bhd has scaled down its operations with the closure of two of its major branches in Johor and Penang last year, while operations were scaled down further with the closure of its Kuching branch. The company currently only operates its airfreight services and the Port Klang branch. To further streamline the business, the company has undergone consolidation under BCC as a logistics services provider.

Drew Ameroid (Malaysia) Sdn Bhd delivered positive results despite weak market demand. The company drove sales via innovative products and high quality services, particularly in wastewater treatment.

Kao (Malaysia) Sdn Bhd registered an improved performance in 2016, recording a 7% increase in sales and double-digit growth in profit despite soft consumer sentiment. This was driven by core brands, namely 'Biore', 'Laurier' and 'Attack', which launched strategic marketing campaigns and promotions to deliver greater value to consumers and recruit new users. Shop-front activities were also carried out across the nation in order to enhance distribution of major brands. In addition, cost optimisation initiatives were implemented to mitigate foreign exchange losses and maintain earnings.

Boustead Credit Sdn Bhd recorded a weaker performance during the year, on the back of a tough economic climate and uncertain market conditions. Higher impairment on receivables and the closure of its Selayang branch had an impact on the business.

Cadbury Confectionery Malaysia Sdn Bhd made a recovery in 2016, registering double-digit growth in revenue. This was driven by increased consumer consumption as Cadbury heightened its investment in building up brand equity and consumer confidence. Unfavourable commodities trends as well as the weak Ringgit and higher distribution costs had a bearing on the bottom line.

Trading & Industrial Division

BHPETROL
24
NEW STATIONS

KEY FACTS

COMMISSIONING OF UAC'S
UCO
SOLIDPANEL
PLANT

Trading & Industrial Division

REVENUE
RM3.6
BILLION

PROFIT
RM147
MILLION

The Division recorded a profit of RM147 million, a commendable improvement from RM38 million recorded last year, primarily due to the outstanding contributions from Boustead Petroleum Marketing Sdn Bhd and the cessation of operations of Johan Ceramics Berhad which arrested losses.

Boustead Petroleum Marketing Sdn Bhd (BHPetrol) delivered a strong profit of RM131 million, a significant jump compared with RM55 million in the previous year. This was supported by gains arising from the Government acquisition of BHPetrol service stations for the MRT development amounting to RM34 million. In addition, stockholding gains also contributed to profit.

As a trusted leader in fuel technology, BHPetrol expanded its product portfolio during the year, introducing the improved Infiniti Diesel Euro 5 and Euro 2M which contain the latest German additives. The brand also increased the availability of Euro 5 Diesel at more than 100 stations nationwide.

In the commercial business, the liquefied petroleum gas segment was able to sustain market share and achieve a higher profit due to improved operating margins. The lubricants segment also delivered an encouraging performance, with higher volumes and increased profit.

The improved performance was further driven by increased volume growth on the back of operational improvements and expansion of the brand's retail network. A total of 24 new stations were completed in 2016, with 14 officially opened and the remaining 10 on track to be operational soon.

Trading & Industrial Division

Taman LTAT, Bukit Jalil ground breaking ceremony

UAC Berhad posted a profit of RM25 million for the year, higher than RM19 million in the previous year. This was primarily due to stronger results by companies under its stable, supported by fair value gain from investment properties. Despite the softening rental market in 2016, Menara UAC in Mutiara Damansara experienced close to full tenancy.

The company saw reduced domestic demand for its fibre cement building products in 2016. However, its IBS Wall System products, namely the UCO SolidPanel System and the UCO SolidWall System, experienced an upsurge in demand. To cater for this demand growth, a new manufacturing plant for the UCO SolidPanel System was commissioned during the year.

UCO SolidPanel System

UAC marked a key achievement in 2016, as the company's innovative products will be utilised in the *Rumah Mampu Milik* affordable housing project in Bukit Jalil spearheaded by Lembaga Tabung Angkatan Tentera's wholly-owned corporation, Perbadanan Perwira Harta Malaysia, together with Perumahan Penjawat Awam 1Malaysia. This will see the UCO SolidPanel System and other UAC products used for the construction of 2,000 units of affordable homes.

Meanwhile, **Boustead Sissons Paints Sdn Bhd** became a subsidiary of UAC. Significant effort has been applied to arrest losses and scale down operations. As a result, losses have been curbed. Intense competition and declining market demand continued to impact the business.


Commissioning of UCO SolidPanel Plant at Ipoh factory

UAC's other subsidiary, **Boustead Global Trade Network Sdn Bhd (BGTN),** recorded a profit of RM2 million, a turnaround compared with a loss in the previous year. BGTN's investments in two associate companies in Myanmar with the Wah Seong Group contributed to earnings.

Boustead Building Materials Sdn Bhd registered a satisfactory performance despite challenging market conditions and the slowdown in the domestic property and construction sectors. A major project completed during the year was the villas and ancillary building works for The Royale Chulan Cherating Hotel. Efforts to streamline and enhance efficiency of operations and processes also bore fruit, leading to improved margins, optimum inventory levels and reduced finance costs.

Boustead Engineering Sdn Bhd halted operations during the year following a thorough review of this business. This is part of our drive to cease operation of businesses that do not contribute to the bottom line or add value to the Group.

ARCHIDEX 2016

Sustainability Report

> "With a strong heritage of over 180 years, we are firmly committed to building a legacy of sustainable growth as a leading public listed conglomerate."

Our sustainability initiatives reflect our continuous drive towards maximising opportunities for strong fiscal growth and optimising operational efficiency in tandem with long-term value creation based on economic, environmental and social considerations.

This inaugural Sustainability Report focuses on the collective sustainability efforts undertaken by our key business units, excluding associate and joint venture companies as well as overseas operations. To further demonstrate our commitment to sustainability, a number of our listed subsidiaries have also included Sustainability Reports within their respective Annual Reports for the year, focused on their sustainability initiatives in greater detail.

Mutiara Damansara MRT Station

Pedestrian bridge connecting the Curve with Tesco

ECONOMIC

To consistently deliver solid results, we are conscious of the need to integrate sustainability into our business strategy in a way that allows us to act as a conduit for the economic growth of those we come in contact with through our core businesses.

Cultivating a Thriving Holistic Ecosystem

Building a sustainable future for all is important to us. Our active interest in multiple sectors within the Malaysian economy allows us to positively impact the local economies that exist alongside our operations.

Leveraging on our diversified business streams, we have been able to create positive synergies for the Group by utilising the services of our stable of investments. Moreover, our various business ventures including the integrated townships of Mutiara Damansara and Mutiara Rini, retail shopping malls, banks, hotels, retail petroleum outlets, and the various shipyards and plantation estates across the country, amongst others, act as catalysts for economic growth.

Apart from creating thousands of jobs and boosting business development, this creates positive spillover benefits for surrounding communities through infrastructure development, over and above the basic requirements dictated by the local authorities. In our Mutiara Damansara development, this includes establishing additional access roads into and out of the township to ease traffic congestion as well as a retail hub comprising the Curve, eCurve, Tesco, IKEA and IPC Shopping Centre. In addition, we have constructed pedestrian bridges, underpasses and covered walkways to further enhance ease of movement and connectivity from the Mutiara Damansara Mass Rapid Transit (MRT) Station No. 8 to the entire retail hub. Our Taman Mutiara Rini township includes a retail hub comprising Tesco, Mydin and several fast food outlets.

These integrated townships provide a support system that benefits the community with schools, safety and security measures, places of worship and recreational facilities. Along with this, we offer affordable low cost and medium-low cost housing to serving and retired members of the Armed Forces and eligible homebuyers.

In addition, we make it a point to ensure that those surrounding our operations, in particular those in rural and hard to reach areas have access to modern conveniences. One of the ways we are undertaking this is through our commitment to the maintenance of access roads totalling 193 kilometres in rural areas of Peninsular Malaysia, Sabah and Sarawak, where our plantation estates are located.

Sustainability Report

In our heavy industries segment, our Littoral Combat Ship (LCS) project at our Lumut naval shipyard is the first naval shipbuilding project of this magnitude to be constructed in Malaysia. Not only is this a significant achievement for the Group, the LCS project has also helped to boost economic activity and spur economic development in the maritime sectors in the vicinity of Lumut, Seri Manjung and Sitiawan.

Across our operations, we prioritise surrounding communities in terms of both employment and business opportunities by engaging local suppliers, vendors and contractors. Beyond this, we provide tenancy in our retail shopping malls in support of local business development.

We are committed to ensuring a sustainable supplier base by applying sustainability standards to our procurement process. As testament to this, in the supply of fuel to our retail petroleum service stations, we partner only with reputable oil companies which adhere to safe practices.

Small and Medium Enterprises (SMEs) and entrepreneurs play a crucial role in the growth of our economy. As a responsible corporate citizen, we are dedicated to doing our part to ensure that they are given opportunities to thrive. This is all the more crucial given the current global economic environment. By supporting our local SMEs, we play an important role in spurring job creation and the growth of the local economy.

Through our retail petroleum business, we provide opportunities to local entrepreneurs, such as motorcycle workshop owners to market our lubricants in rural areas. We also get them started with credit to kick off their trading partnership with us.

Meanwhile, our RoyalePharma Alliance Programme has enabled us to increase Bumiputera participation in retail and wholesale pharmacy. A total of 35 local entrepreneurs signed up for this programme which provided participating entrepreneurs with access to central procurement, joint marketing activities, health events as well as educational programmes. Apart from utilising the established RoyalePharma brand to boost sales, the entrepreneurs were equipped with the tools to achieve customer retention and business growth.

We have in place an intensive vendor development programme that has allowed us to empower local manufacturers under Skim Anak Angkat and Skim Panel Pembuat Bumiputera. During the year, multiple training sessions were conducted for the vendors on a range of industry-relevant topics. In addition to the external courses that we organised, our vendors had the opportunity to participate in five external programmes by various Government agencies.

Euro5 Diesel dialogue session with lorry and bus associations, car manufacturers and Government agencies

Research & Development (R&D) Fuelling Economic Sustainability

Given our reach in the pharmaceutical arena, we are dedicated to maintaining the affordability and accessibility of medicines while upholding our standards of quality and efficacy. We are able to ensure this through our commitment to R&D into high quality and cost competitive pharmaceutical products for various therapeutic segments.

We registered 18 new local products and 27 new international products in 2016, with a total of 430 locally registered products and 210 internationally registered products. In addition, we have a total of 66 bioequivalent products that adhere to the strict standards of the Drug Control Authority of the Ministry of Health, Malaysia and have been certified as fully bioequivalent to the respective innovator products as well as being clinically interchangeable.

Our investment in R&D has also enabled us to boost productivity and earnings through cutting edge innovation. In the pharmaceutical sector, our Kacip Fatimah and Patawali projects will enable us to enhance the marketability of local herbs as phytomedicine.


Crops for the Future Research Centre in Semenyih

In the plantation sector, we improved our yields sustainably through our R&D efforts on high yielding planting materials, amongst others. Throughout the years, we have established several partnerships with a focus on promoting R&D.

In our building materials segment, we provide sustainable solutions for the construction and property development sectors through our innovative products. Our high-quality cellulose fibre cement products are adaptable, long lasting, resistant to damage and easy to install, while also being environmentally friendly.

We collaborated with the Government to establish the Crops for the Future Research Centre at the University of Nottingham Malaysia Campus (UNMC), which evaluates underutilised crops from all corners of the world. UNMC also partnered with Applied Agricultural Resources Sdn Bhd (AAR) to establish the AAR-UNMC Biotechnology Centre to promote R&D in plant molecular biotechnology.

Our community pharmacy, RoyalePharma

ENVIRONMENT

The impact that we have on our ecosystem will not only affect our Group, but also the generations to come. As such, the conservation of our environment is a crucial responsibility to ensure a sustainable future.

Preserving Our Precious Resources

Zero-burning – leftover palms are set aside to decompose naturally

We have incorporated environmentally conscious measures across the Group's operations, including our manufacturing facilities, plantation estates, shipyards as well as petroleum fuel terminals and retail service stations, amongst others. This comprises water conservation efforts such as routine inspections of water spillage systems, drainage systems as well as checks on water pressure and leakages. We also ensure full compliance with the Department of Environment's (DOE) approved filtration methods for water effluents while closely monitoring our wastewater quality.

Telok Sengat Mill biogas plant – Flaring of excess biogas

We have established a rainwater harvesting system for six of our new retail petroleum service stations in Kuala Lumpur and will roll this out to all of our new stations in Kuala Lumpur. We also carry out rainwater harvesting in our plantation estates.

To prevent environmental pollution, we have implemented operational controls to mitigate oil spillages and detect leakages at all our shipyards as well as petroleum fuel terminals and retail service stations. Along with this, we practise sustainable waste disposal methods in line with the DOE's stringent regulations. All waste disposals for our retail petroleum operations are reported to the DOE and are carried out by contractors accredited by the DOE.

We instituted a zero-burning policy at our shipyards in order to minimise our carbon footprint. Similarly, at our plantation estates, we implemented a zero-burning policy for the planting and replanting of oil palms. This policy ensures that leftover palms are set aside to decompose naturally and release nutrients into the soil. This also contributes to the reduction of carbon emissions.

Further to this, we have installed a biogas capture plant at our Telok Sengat Mill in Kota Tinggi, Johor, which will reduce emissions of greenhouse gases and enable the Group to utilise the captured biogas as a source of fuel to generate electrical power.

In order to improve energy efficiency, we carry out energy audits and scheduled maintenance of machinery and equipment, which reduces power consumption as well as air emissions and water effluents. Many of our buildings and facilities have also been progressively switching to energy-saving LED lights.

Making a Positive Impact

In line with our focus on sustainable growth, we are committed to ensuring that our businesses make a positive impact on the environment.

To this end, we created green lungs within our Mutiara Damansara and Mutiara Rini townships, providing recreational areas, jogging and cycling paths, outdoor parks and a 60-acre urban forest where different species of plants and herbs have been planted. We also established two water retention ponds, which act as anti-flooding mechanisms.

Moving forward, we plan for all new buildings under our property development segment to be Green Building Index (GBI) certified with MSC status. Amongst others, this involves sustainable building management systems, which entail water and energy conservation as well as the reduction of carbon emissions. In fact, our Nucleus Tower, which is currently under construction in Mutiara Damansara, was designed in line with GBI and MSC standards.


Artist's impression of Nucleus Tower

Further to this, our manufacturing segment provides a wide range of innovative and eco-friendly building products ideal for residential, commercial, institutional, industrial and hospitality properties. This includes the UCO SolidWall System and UCO SolidPanel System, which offer high durability, efficiency and quality, with properties that help to reduce energy consumption and construction waste. In addition, UCO Decowood is a durable wood replacement, helping to reduce the demand for timber products. In fact, due to these beneficial properties, the UCO SolidPanel System will be utilised in the development of 2,000 homes under an affordable housing project.

Our retail petroleum business was the first in the country to introduce Euro 5 Diesel to Malaysian shores. The availability of this high-quality diesel has helped to encourage car companies to bring in more advanced and environmentally friendly cars into the market.

At UNMC, we have a number of initiatives in place to cultivate a sustainable campus. Our large water retention pond retains rainwater and doubles as a recreational area. Along with tree replanting and reforestation projects, we established green spaces on campus with flowering plants and fruit trees. We also designated a community garden, which is managed by both students and staff. All of these efforts help to reduce our carbon footprint.


Water retention pond at UNMC

Sustainability Report

As part of our waste disposal methods at UNMC, polystyrene food containers are banned as we encourage the use of re-usable food containers. We implemented food and kitchen waste separation and operate a composting station to produce organic fertiliser, while recyclable items are sold to raise funds for charity.

In order to improve energy efficiency at UNMC, solar panel facilities are in the process of being commissioned. We also offer sustainable transport options such as free shuttle buses and electric buggies for internal transportation. The allocation of additional bicycle bays is also in the pipeline.

Best Practices in Environmental Standards

We strive to adhere to the highest environmental standards. In line with this, we have incorporated best practices throughout our business operations.

At our plantation estates, we have implemented best agronomic practices to prevent soil degradation and minimise environmental impact. In light of our efforts, two of our business units were accorded Roundtable on Sustainable Palm Oil (RSPO) certification, while an additional unit is being audited for RSPO certification. We aim to certify all our estates and mills by 2022. Furthermore, our Sungai Jernih and Nak palm oil mill business units are accredited producers of Certified Sustainable Palm Oil and we have obtained Malaysian Sustainable Palm Oil certification for one of our estates as well as one of our mills.

In recognition of our achievements in the areas of sustainability and quality standards, our building materials segment has received several local and international accolades and certifications. This includes the Singapore Green Label by the Singapore Environment Council, the SIRIM ECO Label, the Environmental Product Declaration by the Construction and Environment Institute of Germany (Institut Bauen und Umweit e.V.), which is based on lifecycle impact and is in accordance with ISO 14025 and EN 15804, Environmental Management System Certification (EMS ISO 14001) and the Special Innovation Award for the UCO SolidWall System in the CIDB Malaysian Construction Industry Excellence Awards 2013.

Sustainability Report

SOCIAL

A successful company is built on a solid foundation of multiple pillars. For the Boustead Group, one of the most crucial pillars is the support that we provide towards the betterment of society, be it our employees or the communities we operate within. Through these social commitments, we are dedicated to making a positive difference in the lives we touch.

TOTAL HOURS OF TRAINING FOR EXECUTIVES
40 HOURS

PERCENTAGE OF FEMALE SENIOR MANAGEMENT STAFF
32%

TOTAL HOURS OF TRAINING FOR NON-EXECUTIVES
20 HOURS

Our People

As the driving force of our business, our employees play an integral role in the sustainability and success of the Group. As such, we are focused on attracting and retaining a highly skilled workforce while prioritising the wellbeing of our people.

In order to cultivate an organisational culture of excellence, we introduced our Core Values, namely Respect, Integrity, Teamwork and Excellence, as guiding principles across the Group. Further to this, over the years we have refined our Core Competencies to meet our evolving needs in an increasingly competitive environment. These comprise Building Relationships, Driving Results, Improving Continuously, Managing Customers and Thinking Analytically.

We have several talent development and leadership programmes in place, which enable our staff to develop their capabilities. To this end, our employees took part in a range of programmes and workshops during the year to facilitate skills development and knowledge acquisition. To encourage this, we have a company policy requiring 40 hours of training for executives and 20 hours for non-executives.

We also provide opportunities for employees to become accredited with professional qualifications from established bodies, including the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Certified Public Accountants, the Chartered Institute of Management Accountants, the Institute of Internal Auditors, the Board of Engineers Malaysia as well as the National Pharmaceutical Regulatory Agency.

As part of our efforts to prioritise employee satisfaction, we have introduced the option of flexible working hours, which is particularly beneficial for the talent retention of women in the workforce. This greater flexibility also works to boost motivation and improve overall employee retention levels. We also recognise employees who have been with the Group for a long time with Long Service Awards.

Additionally, to encourage collaboration and instil a sense of belonging in our people, every two years, we conduct a Group-wide Employee Engagement Survey. This allows us to have an open dialogue and address any issues that may arise in the workplace. We also carry out other employee engagement activities throughout the year, including team building and sports activities.

Sustainability Report

In tandem with these initiatives, we are focused on safeguarding the health and welfare of our workforce by implementing comprehensive safety measures across our operations. This is in line with the regulations stipulated by the Department of Occupational Safety and Environment. Apart from this, we regularly conduct safety awareness briefings and safety checks. Emergency response plans are also in place.

Food Flotilla for Myanmar departing from Boustead Cruise Centre terminal

Touching Lives in the Community

As a caring and conscientious corporate citizen, we are committed to reaching out to those in need in the community. In line with this, we have initiatives and programmes in place across the Group which enable us to make a difference.

We provide assistance through financial donations and contributions in kind to charitable organisations, underprivileged groups and disadvantaged members of society, from senior citizens, orphans, disabled individuals and single mothers, to rural and poverty-stricken areas. At our plantation estates, we provide residents with basic amenities, make contributions during the festive seasons as well as sponsor community events and sporting activities. We also joined hands with Polis Diraja Malaysia to promote safe driving during the festive periods.

For the sixth consecutive year, we undertook the *Di Celah-celah Kehidupan* programme, with the aim of helping underprivileged families and to promote a caring society. The programme was aired during the month of Ramadhan and channelled much-needed financial assistance to families across the nation.


BHPetrol Orange Run creates a platform for Malaysian to adopt an active lifestyle while raising funds for the needy

We are also focused on promoting healthy lifestyles through various campaigns. This includes the annual BHPetrol Orange Run, which raises funds for charitable causes while encouraging Malaysians to be more physically active. The year 2016 marked the 11th year of the run, which saw over 3,500 runners participating and a total contribution of RM30,000 presented to three charities.

Furthermore, our Skuad Operasi Sihat 1Malaysia initiative continued to reach out to suburban and rural areas including Orang Asli communities to improve accessibility to healthcare. In

Back to School Programme at Kanowit Palm Oil Mill, Sarawak

2016, we carried out 35 programmes involving over 5,000 participants across the nation. Apart from this, we hosted several fundraising events and awareness campaigns for deserving causes, including the National Kidney Foundation, IJN Roadshow, WWF Malaysia and MAKNA Cancer Awareness Programme, along with celebrations during festive seasons with senior citizens and orphans.

A Brighter Future

Education is the cornerstone of our society. In light of this, we have undertaken various programmes aimed at supporting the development of young Malaysians, in order to bring about a brighter future for all.

We sponsor numerous Back to School programmes across the Group, which positively impacts schools, needy families and communities. In addition to providing funds, we also provide essential school items and support school activities.

We remain committed to the PINTAR programme, which aims to enhance and improve the quality of education and standards of academic excellence of underprivileged students, particularly children of Armed Forces personnel. In 2016, we channelled funds to four primary schools located in Negeri Sembilan, Perak and Selangor.

Our Skim Latihan 1Malaysia-Boustead Graduate Internship Programme is aimed at enhancing employability amongst graduates, enabling them to refine their skills, knowledge and competencies through soft skills training and hands-on experience. During the year, a total of 150 graduates participated in the programme. There are also opportunities for undergraduates to join the Group as practical trainees in order to gain valuable exposure to the working environment.

Apart from this, we conduct the annual *Cerah-ceria Bersama BHPetrol* campaign to raise awareness on road safety among primary school students. In 2016, a total of 900 children took part in this initiative, which was held in several school districts. The programme was highlighted in the Global Road Safety Partnership website as a successful road safety initiative undertaken around schools to improve safer walking and visibility. It was also shared internationally in conjunction with the United Nations Global Road Safety Week, which focuses on pedestrian safety. Additionally, we collaborated with the Ministry of Domestic Trade, Cooperatives and Consumerism to increase awareness on safety at service stations. This is an annual event targeted at students and members of the public.

SL1M interns

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	Senior Independent Non-Executive Director (Chairman of the Committee)	Yes	5/5
Datuk Francis Tan Leh Kiah	Independent Non-Executive Director	Yes	5/5
Datuk Azzat Kamaludin	Non-Independent Non-Executive Director	No	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.
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 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);

Audit Committee Report

- 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 2016.

External Audit

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

1. Reviewed 2016 audit plan and scope of work for the Group.

2. Reviewed the audit fees, the number and experience of audit staff assigned to the audit engagement, resources and effectiveness of the external auditors.

3. Reviewed the performance of external auditors, their independence and objectivity.

4. Discussed on audit report and evaluation of the systems of the internal controls.

5. Reviewed major audit findings and reservations arising from the interim and final audits, significant accounting issues and any matter the external auditors may wish to discuss.

6. Discussed the external auditors' review of the Statement on Risk Management and Internal Control for 2016.

7. Reviewed the external auditors' management letter and management response.

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

The external auditors have assured the Audit Committee that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2016.

Internal Audit

During the year, the Audit Committee:

1. Reviewed with the internal auditors their annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group.

2. Reviewed and deliberated internal audit reports and to monitor/follow-up on remedial action.

3. Reviewed the corrective actions taken by the Management in addressing and resolving issues as well as ensuring that all key issues were adequately addressed on timely basis.

4. Reviewed the adequacy of resource requirements and competencies of staff within the Group internal audit function to execute the annual audit plan and the results of the work.

5. Reviewed the effectiveness of internal audit processes and the resources allocated to Group Internal Audit.

6. Reviewed the Risk Management Committee's report on key risk profiles and risk management activities.

7. Reviewed the Audit Committee Report, 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 Circular to Shareholders relating to shareholders' mandate for recurrent related party transactions of revenue or trading nature prior to recommending it for Board's approval.

2 Monitored the related party transactions entered by the Company and the Group pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 4 April 2016.

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

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

INTERNAL AUDIT FUNCTION

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

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

Group Internal Audit has in total manpower strength of 40 as at 31 December 2016. During the year, Group Internal Audit has completed and issued internal audit reports for 116 assignments based on approved annual audit plan and ad hoc request from the Audit Committee and Management. The audit conducted in 2016 covered a wide range of operational areas within the Group which include plantation, mill operations, manufacturing plant, sales and marketing, property investment and management, project development and management, hotel operations, IT system and services, retail and downstream activities, heavy industries, maintenance and repair services, back office and support functions, financial reporting processes and operations, human capital and many others. The corresponding audit reports were presented to the Management Committee and Audit Committee for attention, deliberation and corrective actions.

During the financial year, 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.

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

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

The total cost incurred for the Group internal audit function in respect of the financial year ended 31 December 2016 amounted to RM5.1 million (2015: RM4.9 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 and the MMLR.

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 shareholders communication; and
- Relationship with other stakeholders (employees, environment, social responsibility)

The Board Charter is the primary document that elaborates on the fiduciary and leadership functions of the Directors. The current Board Charter was approved in 2013 and is available for reference at the Group's website, **http://www.boustead.com.my.**

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.

Sustainability

The Group is committed towards sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Group conducts its business. The Sustainability Report is set out in pages 78 to 87 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. The Board believes the wide experience and length of tenure of the Independent Directors on the Board do not interfere with their objective and independent judgement or their ability to act in the best interest of the Company. As such, 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. 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).

Statement on Corporate Governance

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.

A brief profile of each Director is presented on pages 14 to 19 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. 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.

Senior Independent Non-Executive Director

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, as an alternative to the formal channel of communication with shareholders. He also provides a sounding board for the Chairman and serves as an intermediary for the other Directors.

Conflict of Interest

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. To foster ethical and independent decision-making, the Company requires any Director that has any direct or indirect interest in a proposal or transaction being considered by the Board or its Board Committees to declare that interest and will not take part in the deliberations and decision-making.

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)	Chairman Non-Executive Director	Yes	5/5
Tan Sri Dato' Seri Lodin Wok Kamaruddin	Deputy Chairman/ Group Managing Director	No	5/5
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	Non-Executive Director	Yes	5/5
Datuk Azzat Kamaludin	Non-Executive Director	No	4/5
Dato' Sri Ghazali Mohd Ali	Executive Director	No	5/5
Datuk Francis Tan Leh Kiah	Non-Executive Director	Yes	5/5

Information for the Board

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.

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.

Company Secretary

In performing their duties, all Directors have access to advice and services of a qualified Company Secretary. The Company Secretary attends all Board meetings and advises the Board on procedures and requirements under the Company's Articles of Association, the Companies Act and the MMLR. The Company Secretary also ensures that there is good information flow within the Board, Board Committees and Senior Management.

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.

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.

Board Appointments

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

Statement on Corporate Governance

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.

Board Commitment

The Directors are aware of the time commitment expected from each of them including attendance at Board, Board Committee and other types of meetings. With that, each Director has devoted their time sufficiently in carrying out their responsibilities.

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.

Board Assessment

Board evaluation is carried out by the Nominating Committee. Upon the assessment of the Board and Board Committees, the Committee was satisfied that the Board composition had the criteria required: a right blend of knowledge, experience and the appropriate mix of skills. In addition, there was mutual respect among Directors which contributed to a healthy environment to deliberate and good decision-making process.

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.

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)	• Half Day Risk Management Workshop on Cyber-Security and Fraud (IBM/Affin Holdings Berhad)	9 May 2016
	• Powertalk : What Will Distinguish the Great Boards of Tomorrow (Malaysian Directors Academy/Lembaga Tabung Angkatan Tentera)	25 July 2016
	• 12th World Islamic Economic Forum – Decentralising Growth, Empowering Future Business (World Islamic Economic Forum Foundation)	2 and 3 August 2016

Director	Course Title And Organiser	Date
Tan Sri Dato' Seri Lodin Wok Kamaruddin	• SEACEN Conference on Central Bank Cooperation and Mandates (The South East Asian Central Banks Research and Training Centre)	14 March 2016
	• Global Emerging Markets Programme 2016 - Risk and Vulnerability of Global Markets: Reinforcing Resilience in Emerging Markets (Securities Commission)	15 March 2016
	• Independent Directors Programme: "The Essence of Independence" (Bursa Malaysia and ICLIF)	28 March 2016
	• Corporate Governance Breakfast Series with Directors "The Strategy, the Leadership, the Stakeholders and the Board" (Bursa Malaysia and Malaysian Directors Academy)	6 May 2016
	• Half Day Risk Management Workshop on Cyber-Security and Fraud (Affin Holdings Berhad/IBM)	9 May 2016
	• 12th World Islamic Economic Forum – Decentralising Growth, Empowering Future Business (World Islamic Economic Forum Foundation)	2 August 2016
	• Advocacy Sessions on Management Discussion & Analysis (MD&A) for CEO and CFO of Listed Companies (Bursa Malaysia)	8 August 2016
	• Half Day Talk On: - Shariah Non-Compliance Risk And Its Impact to Islamic Banks - MFRS 9 - Financial Instruments And Key Audit Matters - Internal Capital Adequacy Assessment Process (ICAAP) (Affin Holdings Berhad)	26 September 2016
	• Half Day Talk On: - Amendments to Listing Requirements Of Bursa Malaysia Securities Berhad - Companies Act 2016 - Proposed Code Of Corporate Governance 2016 - Policy Document On Corporate Governance by Bank Negara Malaysia (Affin Holdings Berhad)	10 November 2016
	• Corporate Governance Breakfast Series with Directors: "The Cybersecurity Threat and How Board Should Mitigate the Risks" (Bursa Malaysia and Malaysian Directors Academy)	18 November 2016

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Director	Course Title And Organiser	Date
Datuk Azzat Kamaludin	• Bursa Sustainability Engagement Series For Directors/ CEOs (Bursa Malaysia)	2 June 2016
	• GSMA Mobile World Congress Shanghai (GSMA)	29 June to 1 July 2016
	• LTAT- Power Talk "What Will Distinguish The Great Boards Of Tomorrow" (Malaysian Directors Academy)	25 July 2016
	• Petronas Foundational Programme #1 (Malaysian Directors Academy)	6 September 2016
	• Khazanah Megatrends Forum 2016 (Khazanah Nasional)	26 to 27 September 2016
	• CG Breakfast Series With Directors: "The Cybersecurity Threat And How Board Should Mitigate The Risks" (Bursa Malaysia)	18 November 2016
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	• Powertalk : What Will Distinguish the Great Boards of Tomorrow (Malaysian Directors Academy/Lembaga Tabung Angkatan Tentera)	25 July 2016
	• Half Day Talk On i) Shariah Non-Compliance Risk And Its Impact to Islamic Banks ii) MFRS 9 - Financial Instruments And Key Audit Matters iii) Internal Capital Adequacy Assessment Process (ICAAP) (Affin Holdings Berhad)	26 September 2016

Director	Course Title And Organiser	Date
Dato' Sri Ghazali Mohd Ali	• 9th Malaysian Property Summit 2016 (Persatuan Penilai, Pengurus Harta, Ejen Harta & Perunding Harta Swasta Malaysia (PEPS))	20 January 2016
	• 12th Khazanah Annual Review Briefing (Khazanah Nasional Berhad)	28 January 2016
	• 8th Iskandar Malaysia CEO Forum (Khazanah Nasional Berhad)	21 March 2016
	• Talk : The outlook of the world's economy : Challenges and opportunities for Malaysia companies (Permodalan Nasional Berhad)	30 May 2016
	• Powertalk : What Will Distinguish the Great Boards of Tomorrow (Malaysian Directors Academy/ Lembaga Tabung Angkatan Tentera)	25 July 2016
	• Talk: The Direction of Global Competition Malaysia (PNB Investment Institute Sdn Bhd)	2 August 2016
	• Khazanah Megatrends Forum 2016 (Khazanah Nasional Berhad)	27 September 2016
	• The Quarterly Subscribers Forum (Jones Lang Wootton)	16 November 2016
Datuk Francis Tan Leh Kiah	• AIF Distinguished Speaker Series 2016 (AIF)	19 January 2016
	• Sustainability Engagement Series for Directors/CEO (Bursa Malaysia)	1 June 2016
	• Amendments To Bursa's Listing Requirements - How To Rise Up To Meet Those Challenges (Malaysian Institute of Corporate Governance)	21 July 2016
	• National Tax Conference 2016 (Chartered Tax Institute of Malaysia)	9 & 10 August 2016
	• Audit Committee Leadership Track (Institute of Internal Auditors)	11 October 2016
	• Budget 2017 Tax Seminar : Managing Your Tax Affairs in the Current Economic Environment (BDO Malaysia)	1 November 2016
	• MAICSA Symposium 2016 : Companies Act 2016 – Navigating The Changes (Malaysian Institute of Chartered Secretaries and Administrators (MAICSA))	5 December 2016

Statement on Corporate Governance

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 Group Managing Director and Executive Director is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian 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 2016 for Boustead Holdings Berhad and its group of companies are as follows:

	Group			Company		
	Non-Executive Directors RM'000	Executive Directors RM'000	Total RM'000	Non-Executive Directors RM'000	Executive Directors RM'000	Total RM'000
Directors' fees	894	402	1,296	542	–	542
Salaries	–	2,882	2,882	–	1,807	1,807
Bonuses	–	1,289	1,289	–	861	861
Employees provident fund contribution	–	656	656	–	431	431
Benefits in kind & allowances	110	687	797	110	598	708
Meeting Allowances	115	27	142	83	–	83
Total	1,119	5,943	7,062	735	3,697	4,432

Remuneration paid to Directors of Boustead Holdings Berhad and its group of companies during the year analysed into bands of RM50,000, which complies with the disclosure requirements under the MMLR is as follows:

	Group		Company*	
	Non-Executive Directors RM'000	Executive Directors RM'000	Non-Executive Directors RM'000	Executive Directors RM'000
Up to RM100,001 to RM150,000	1	–	1	–
From RM150,001 to RM200,000	1	–	2	–
From RM250,001 to RM300,000	–	–	1	–
From RM300,001 to RM350,000	1	–	–	–
From RM450,001 to RM500,000	1	-	–	–
From RM1,800,001 to RM1,850,000	–	1	–	–
From RM3,650,001 to RM3,700,000	–	–	–	1
From RM4,100,000 to RM4,150,000	–	1	–	–

* *An Executive Director received remuneration from a Subsidiary but not from the Company.*

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**
- **Sustainability 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.

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.

Statement on Corporate Governance

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 Group Managing Director 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 which it recommended to the Board amongst others, the re-election of Directors who retired at the 2016 Annual General Meeting and the contract renewal of certain members of Senior Management. The Nominating Committee also carried out the assessment on the Board and Board Committees.

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 Group Managing Director, 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 Group Managing Director 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 Group Managing Director, 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 Group Managing Director 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 Group Managing Director, 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 amongst others, the salary increment and bonus of key Senior Management and the salary increment rate for the Group.

Sustainability Committee

The Board established the Sustainability Committee on 28 December 2016 which is responsible for monitoring the implementation of sustainability-related policies, measures and actions in achieving the Company's sustainability milestones and goals. The members of the Sustainability Committee comprise:

Tan Sri Dato' Seri Lodin Wok Kamaruddin (Chairman)
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad
Datuk Francis Tan Leh Kiah

The Terms of Reference of the Sustainability Committee are as follows:

- To advise the Board and recommending to it, the business strategies in the area of sustainability;
- To monitor the implementation of sustainability strategies as approved by the Board;

- To recommend sustainability related policies for adoption, and monitoring the implementation of the policies;

- To recommend sustainability matters identified as material to the Board for its approval;

- To oversee the overall management of stakeholder engagement, including ensuring grievance mechanisms are in place;

- To oversee the management of sustainability matters, with particular focus on matters material to the organisation; and

- To oversee the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval.

At the Committee's inaugural meeting, the Committee discussed and agreed on the governance structure for the Company's Sustainability Management, the Company's Sustainability Management Plan and the scope and basis of the Company's Sustainability Report.

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.

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.

Statement on Corporate Governance

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. During the financial year, two (2) sessions between the Audit Committee and the external auditors in the absence of Management were held for better exchange of views between both parties in relation to financial reporting. 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 the interest 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. In this respect, the whistle-blowing policy has been established as 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 identify key management as stipulated in the policy or email to **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 to maintain 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 website 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 **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
Director, Financial Services
Telephone Number: 03-20317749
Email:
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 has held managerial positions in corporate finance and treasury with several public listed companies.

EFFECTIVE COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS

The Company is of the view that the Annual General Meeting (AGM) 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, 2016 and MMLR. At the AGM, the Group Managing Director 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.

Pursuant to Paragraph 8.29A of the MMLR, poll voting will be implemented at the 55th Annual General Meeting and an independent scrutineer will be appointed for validation of the votes casted.

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 2017.

Statement on Risk Management and Internal Control

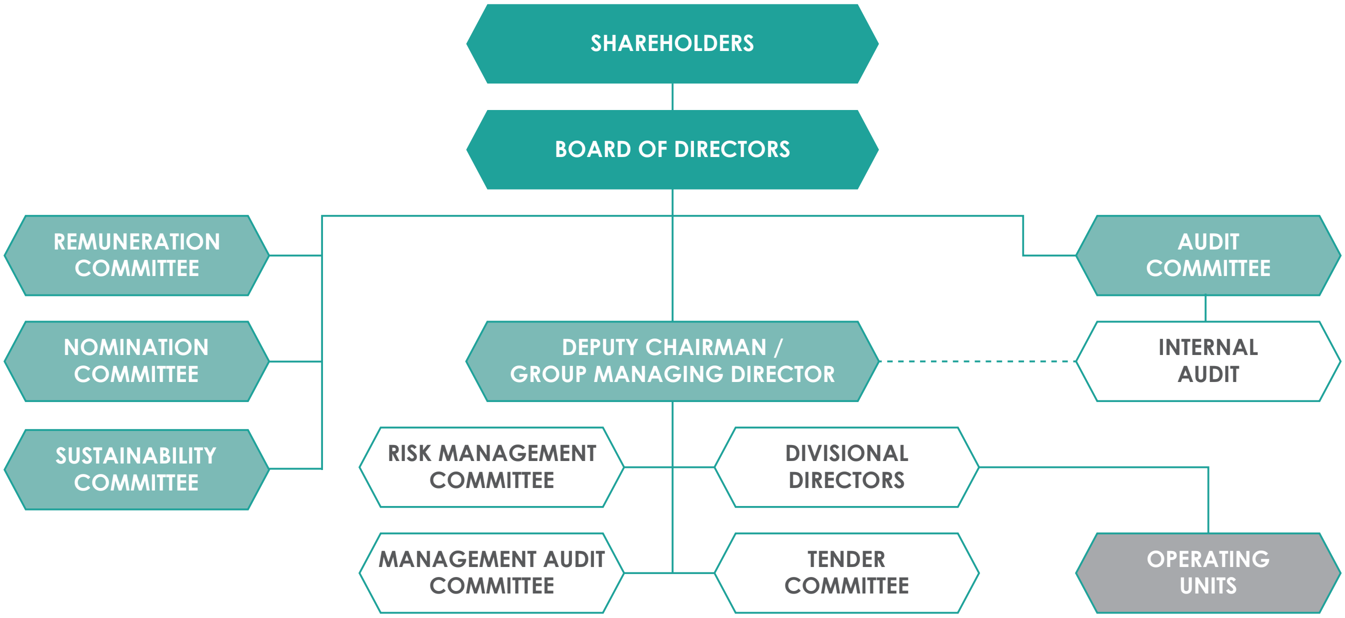
BOARD RESPONSIBILITY

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

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

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

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



RISK MANAGEMENT

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

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

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

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;

Statement on Risk Management and Internal Control

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

- compilation of the business units' risk profiles in relation to the Group risk parameters, the top risks from each business segment and reported to the RMC for review, deliberation and approval; and

- fostered a culture of continuous improvement in risk management through risk review meetings; and provided a system to manage the central accumulation of risk profiles data with risk significance rating for the profiles as a tool for prioritising risk action plans.

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

KEY ELEMENTS OF INTERNAL CONTROL

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

- Clear organisation structure with defined reporting lines. There is a defined organisational structure within the Group with each division having clearly defined roles and responsibilities, levels of authority and lines of accountability.

- Each operating unit is responsible for the conduct and performance of business units, including the identification and evaluation of significant risks applicable to their respective business areas, the design and operation of suitable internal control and in ensuring that an effective system of internal control is in place.

- Defined level of authorities and lines of responsibilities from operating units up to the Board level to ensure accountabilities for risk management and control activities.

- The Group has various support functions comprising secretarial, legal, human capital, finance, treasury and IT which are centralised.

- The Board is supported by a qualified and competent Company Secretary. The Company Secretary plays an advisory role to the Board, particularly on issues relating to compliance with the MMLR, the Companies Act 2016 and other relevant laws and regulations.

- RMC chaired by the Deputy Chairman/Group Managing Director sits regularly to review and recommend the risk management policies, strategies, major risks review and risk mitigation actions for the Company as well as reporting to the Audit Committee and Board on a periodic basis.

- Training and development programmes are established to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.

- Code of ethics are established and adopted for the Board and all employees to ensure high standards of conduct and ethical values in all business practices.

- Whistle blowing policy to provide an avenue for employees to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines in a safe and confidential manner.

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

- The internal audit function provides assurance of the effectiveness of the system of internal control within the Group. Regular internal audit visits to review the effectiveness of the control procedures and ensure accurate and timely financial management reporting. Internal audit efforts are directed towards areas with significant risks as identified by Management, and the risk management process is being audited to provide assurance on the management of risks.

- Review of internal audit reports and follow-up on findings by the Management Audit Committee. The internal audit reports are deliberated by the Audit Committee, and are subsequently presented to the Board on a quarterly basis or earlier, as appropriate.

- Review and award of major contracts by the Tender Committee. A minimum of three quotations is called for and tenders are awarded based on criteria such as quality, track record and speed of delivery.

- Tender Committee comprising members of Senior Management which ensures transparency in the award of contracts.

- Clearly documented standard operating procedure manuals set out the policies and procedures for day to day operations to be carried out. Regular reviews are performed to ensure that documentation remains current, relevant and aligned with evolving business and operational needs.

- Consolidated monthly management accounts and quarterly forecast performance which allow Management to focus on areas of concern.

- Strategic planning, target setting and detailed budgeting process for each area of business which are approved both at the operating level and by the Board.

- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.

- Regular visits to the operating units by members of the Board and Senior Management.

- The Boustead Core Values Initiative aligns all business units' initiatives towards a Group-wide common goal.

- Performance Management System, which is linked to and guided by Key Performance Indicators and accountability. The Key Performance Indicators are quantifiable measurements, contracted beforehand, reflecting the critical success factors of the business units to enhance staff's performance.

- Group Legal & Compliance department reports to the Deputy Chairman/Group Managing Director and monitors compliance with the applicable laws, rules, regulations and policies that governs the Group's core business. The function plays a key role in advising the Board and Management on legal matters and thereby preserving as well as safeguarding the Group's interest from a legal perspective.

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.

Statement on Risk Management and Internal Control

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

WEAKNESSES IN INTERNAL CONTROL THAT RESULT IN MATERIAL LOSSES

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

This statement is made in accordance with a resolution of the Board of Directors dated 1 March 2017.

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:

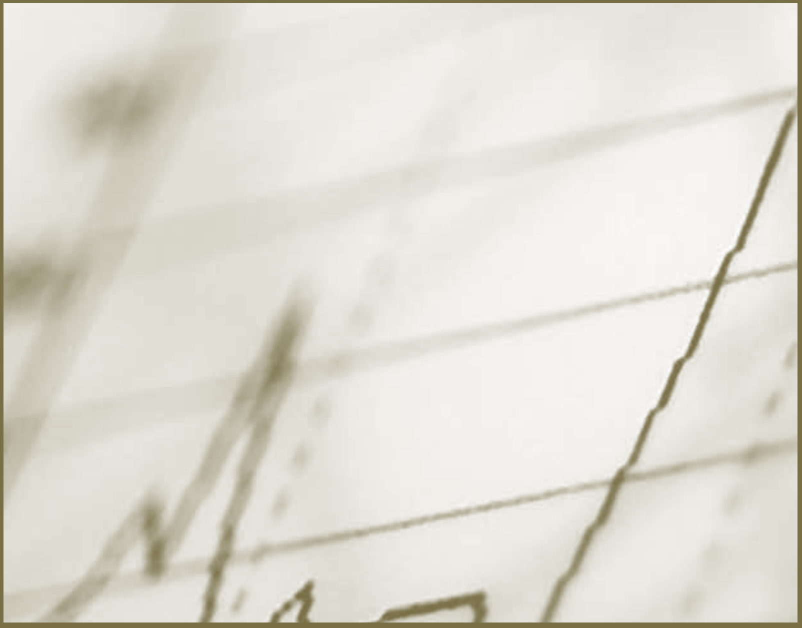
- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are prudent and reasonable; and
- prepared the financial statements on the going concern basis.

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 2017.

Financial Statements



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 2016.

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 226 to 232. 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	369.0	287.0
Holders of Perpetual Sukuk	73.7	73.7
Non-controlling interests	146.4	–
	589.1	360.7

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 gain on disposal of plantation land and the gains on disposal of a Subsidiary and an associate as referred to in Note 8 to the financial statements.

Directors' Report

DIVIDENDS

During the financial year under review, the Company paid the fourth interim dividend of 4 sen per share totalling RM41.4 million in respect of the financial year ended 31 December 2015 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 2016:

	Net dividend Sen per share	RM Million	Date Declared	Date of Payment
First interim dividend	5.0	51.7	25 May 2016	12 July 2016
Second interim dividend	4.0	81.1	24 August 2016	30 September 2016
Third interim dividend	5.0	101.4	30 November 2016	22 December 2016
Fourth interim dividend	3.5	70.9	28 February 2017	28 March 2017
	17.5	305.1		

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' Sri 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 1/1/16	Acquired	Sold	At 31/12/16
Ordinary shares of RM0.50 each				
Boustead Holdings Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	28,192,758	27,065,047*	3,000,000	52,257,805
Datuk Azzat Kamaludin	44,000	68,000^	–	112,000
Pharmaniaga Berhad				
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' Sri Ghazali Mohd Ali	143,000	–	–	143,000
Boustead Plantations Berhad				
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	–	3,544,800	27,836,800
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	1,590,000	–	–	1,590,000
Datuk Azzat Kamaludin	1,550,000	–	–	1,550,000
Dato' Sri Ghazali Mohd Ali	1,234,000	–	–	1,234,000
Datuk Francis Tan Leh Kiah	1,260,000	–	70,000	1,190,000
Ordinary shares of RM1.00 each				
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	–	–	2,000,000
Datuk Azzat Kamaludin	350,000	–	–	350,000
Dato' Sri Ghazali Mohd Ali	75,000	–	–	75,000
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	–	–	5,916,465
Affin Holdings Berhad				
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 Francis Tan Leh Kiah	50,000	–	–	50,000

** Increase pursuant to rights issue/bonus issue*
^ Acquisition of 6,000 shares and increase pursuant to rights issue/bonus issue

Directors' Report

ISSUE OF SHARES

During the year, the Company's issued and paid up share capital was increased from RM517.1 million to RM1,013.5 million through the issuance of 992,809,944 ordinary shares of RM0.50 each comprising rights issue of 413,671,221 ordinary shares of RM0.50 each for cash at RM2.55 per share on the basis of 2 right shares for every 5 existing shares and the bonus issue of 579,138,723 ordinary shares of RM0.50 each on the basis of 2 bonus shares for every 5 shares held after the completion of the rights issue.

The new shares issued during the financial year rank pari passu with the existing ordinary shares of the Company.

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.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D.)

(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.

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 2017

Statement By Directors

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 126 to 224 and pages 226 to 232 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 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 46 on page 225 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 2017

Statutory Declaration

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 126 to 232 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 2017

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 AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Boustead Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 126 to 224 and pages 226 to 232.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters (cont'd.)

Impairment assessment of goodwill
At 31 December 2016, the Group's carrying amount of goodwill is RM1,222.0 million as disclosed in Note 24 to the financial statements. The Group is required to perform an impairment test annually by comparing the carrying amount of the cash generating units (CGU) or group of CGUs, including the goodwill, with its recoverable amount. Recoverable amount is defined as the higher of fair value less costs of disposal (FVLCD) and value in use (VIU).

The Group estimated the recoverable amount of certain of its CGUs or groups of CGU to which the goodwill is allocated based on VIU. Estimating the VIU of CGUs or groups of CGUs involves estimating the future cash inflows and outflows that will be derived from the CGUs or groups of CGUs, and discounting them at an appropriate rate. Given the judgments and estimates involved in the assessment of the VIU, we have identified this as an important area of our audit.

The aforementioned impairment review gave rise to impairment losses of goodwill of RM4.5 million as disclosed in Notes 8 and 24 to the financial statements.

The areas that involved significant audit efforts and judgement were the assessment of possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate.

We assessed whether the assumptions on which the cash flow projections are based, by amongst others, comparing them against past actual outcomes, existing contracts, order book, expectations on future contracts and revenue growth.

We also assessed the discount factor used by management to determine the present value of the cash flows and whether the rate used reflect the current market assessment of the time value of money and the risk specific to the asset is the return that the investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

In addition, we also evaluated the adequacy of the disclosures of key assumption on which Group has based its cash flow projections.

Impairment assessment of property, plant and equipment, biological assets and prepaid land lease payments
As at 31 December 2016, the carrying amount of property, plant and equipment, biological assets and prepaid land lease payments of the Group are RM4,938.2 million, RM1,248.6 million and RM54.0 million respectively, as disclosed in Notes 13, 14 and 17 respectively to the financial statements.

The Group is required to perform an impairment test of the CGU or groups of CGUs when there is an indication that a CGU or groups of CGU may be impaired by comparing the carrying amount with its recoverable amount.

As at end of the reporting period, management identified that there are indications of impairment in relation to certain oil palm estates and mills of the Group. Therefore, they have undertaken an assessment of the recoverable amount, which is defined as the higher of FVLCD or VIU. Given the significance of property, plant and equipment, biological assets and prepaid land lease payments to the Group, the judgments and estimates involved in the assessment of the recoverable amount, we have identified this as an important area of our audit.

Independent Auditors' Report

Key audit matters (cont'd.)

Impairment assessment of property, plant and equipment, biological assets and prepaid land lease payments (cont'd.)
The aforementioned impairment review of property plant and equipment, biological assets and prepaid land lease payments with a total net carrying amount of RM193.2 million gave rise to impairment losses of biological assets of RM10.4 million as disclosed in Notes 6 and 14 to the financial statements.

The areas that involved significant audit efforts and judgement were the assessment of possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate.

Where the impairment assessment of the CGU or groups of CGU is based on FVLCD, we have amongst others, assessed the key assumptions and methodology used by independent professional valuers, including comparisons with recent transactions involving other similar properties in the vicinity, age of palms, size and title tenure.

Where the impairment assessment of CGU or groups of CGU is based on VIU we have amongst others, assessed the key assumptions used to prepare the cash flow projections and duration of cash flow projections. We assessed whether the assumptions on which the cash flow projections are based are consistent with past actual outcomes, in particular the assumptions about estimated revenue growth rates, operating costs and possible variations in the timing of those future cash flows.

We also assessed the discount factor used by management to determine the present value of the cash flows and whether the rate used reflect the current market assessment of the time value of money and the risk specific to the asset is the return that the investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

To the extent that management relied on the valuation report provided by independent professional valuers, we also considered the competence, capabilities and objectivity of the professional valuers.

Revenue recognition from construction contracts and property development
The Group including its joint ventures are involved in a number of significant contracts and property development activities which span across multiple accounting periods.

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

Recognition of contract and property development revenue, is subject to the estimated costs to complete, variations, renegotiations and potential deductions to contract revenue. Costs to complete can significantly vary due to changes in specifications from those originally assumed in the respective contracts, whereas deductions to contract revenue can be impacted due to delays in delivery.

We assessed judgements made by management by reviewing contract documentation and discussed the status of on-going material contracts and property development activities with management, finance and project teams.

Independent Auditors' Report

Key audit matters (cont'd.)

Revenue recognition from construction contracts and property development (cont'd.)
In relation to contract revenue or property development revenue, we, amongst others and where applicable, agreed this to the original signed contracts, letter of awards, approved changed orders and variation orders. We evaluated the additional revenue for change or variation orders to recover the additional costs incurred to supporting evidence including but not limited to correspondence with customers. We also assessed the potential deductions to contract and property development revenue by reviewing the contractual delivery dates of the respective contracts against management's estimated delivery dates, progress reports and interviews with the project team. This includes reviewing management's assessment on the probability of a deduction to contract or property development revenue, if any.

In assessing management's assumptions in estimating the costs to complete for each contract, we assessed the budgeted costs to supporting evidence including but not limited to suppliers' contracts for materials and subcontractors' claims.

Information other than the financial statements and auditors' report thereon
The directors of the Company are responsible for the other information. The other information consists of the information included in the Group's annual report for the financial year ended 31 December 2016 but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements
The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company and its subsidiaries or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report

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

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

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

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

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

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

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

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

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

Independent Auditors' Report

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 226 to 231, 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 225 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. 02607/12/2018(J)
Chartered Accountant

Kuala Lumpur, Malaysia
1 March 2017

Income Statements
for the year ended 31 December 2016

		Group		Company	
	Note	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
Revenue	5	**8,371.3**	8,662.5	**440.4**	313.1
Operating cost	6	**(7,909.4)**	(8,349.7)	**(31.2)**	(68.7)
Results from operations		**461.9**	312.8	**409.2**	244.4
Gain on disposal of plantation land		**124.2**	57.1	**–**	–
Interest income	7	**43.8**	31.6	**85.5**	66.9
Other investment results	8	**277.0**	73.4	**(8.0)**	12.3
Finance cost	9	**(293.6)**	(290.5)	**(120.7)**	(124.3)
Share of results of associates		**123.1**	66.2	**–**	–
Share of results of joint ventures		**4.0**	18.6	**–**	–
Profit before taxation		**740.4**	269.2	**366.0**	199.3
Taxation	10	**(151.3)**	(129.8)	**(5.3)**	(6.6)
Profit for the year		**589.1**	139.4	**360.7**	192.7
Attributable to:					
Shareholders of the Company		**369.0**	13.2	**287.0**	120.1
Holders of Perpetual Sukuk		**73.7**	72.6	**73.7**	72.6
Non-controlling interests		**146.4**	53.6	**–**	–
Profit for the year		**589.1**	139.4	**360.7**	192.7
Earnings per share – sen					
Basic/diluted	11	**20.03**	0.80		

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

Statements of Comprehensive Income
for the year ended 31 December 2016

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Profit for the year	**589.1**	139.4	**360.7**	192.7
Other comprehensive income/(loss):				
Items to be reclassified to profit or loss in subsequent period (net of tax)				
Net (loss)/gain on available for sale investments				
– Fair value changes	**(1.0)**	(4.9)	**0.2**	(0.4)
– Transfer from profit or loss	**2.9**	3.7	**–**	–
Foreign currency translation	**9.2**	13.6	**–**	–
Share of other comprehensive income of investments accounted for using equity method	**(4.0)**	4.3	**–**	–
Other comprehensive income/(loss) for the year	**7.1**	16.7	**0.2**	(0.4)
Total comprehensive income for the year	**596.2**	156.1	**360.9**	192.3
Attributable to:				
Shareholders of the Company	**371.0**	21.3	**287.2**	119.7
Holders of Perpetual Sukuk	**73.7**	72.6	**73.7**	72.6
Non-controlling interests	**151.5**	62.2	**–**	–
Total comprehensive income for the year	**596.2**	156.1	**360.9**	192.3

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

Statements of Financial Position
as at 31 December 2016

		Group		Company	
	Note	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
ASSETS					
Non-current assets					
Property, plant and equipment	13	**4,938.2**	5,035.0	**3.8**	2.5
Biological assets	14	**1,248.6**	1,261.4	**–**	–
Investment properties	15	**1,641.1**	1,543.8	**107.0**	100.8
Development properties	16	**636.6**	638.9	**–**	–
Prepaid land lease payments	17	**54.0**	61.6	**–**	–
Long term prepayments	18	**183.1**	170.3	**–**	–
Deferred tax assets	19	**46.3**	50.1	**–**	–
Subsidiaries	20	**–**	–	**3,229.3**	2,967.4
Associates	21	**1,973.7**	1,843.5	**939.4**	939.4
Joint ventures	22	**619.0**	621.1	**250.0**	250.0
Investments	23	**32.1**	33.1	**5.4**	5.2
Intangible assets	24	**1,435.2**	1,406.3	**–**	–
Receivables	28	**–**	–	**738.9**	–
Total non-current assets		**12,807.9**	12,665.1	**5,273.8**	4,265.3
Current assets					
Inventories	25	**863.9**	812.8	**–**	–
Property development in progress	26	**32.6**	99.1	**–**	–
Due from customers on contracts	27	**831.8**	1,216.1	**–**	–
Receivables	28	**1,617.6**	1,382.6	**822.5**	1,094.2
Deposits, cash and bank balances	29	**1,717.6**	1,338.1	**141.4**	65.9
		5,063.5	4,848.7	**963.9**	1,160.1
Assets classified as held for sale	30	**60.1**	105.8	**–**	–
Total current assets		**5,123.6**	4,954.5	**963.9**	1,160.1
Total assets		**17,931.5**	17,619.6	**6,237.7**	5,425.4

	Note	Group 2016 RM Million	Group 2015 RM Million	Company 2016 RM Million	Company 2015 RM Million
EQUITY AND LIABILITIES					
Equity attributable to shareholders of the Company					
Share capital	31	**1,013.5**	517.1	**1,013.5**	517.1
Reserves	32	**4,672.8**	4,025.5	**1,779.1**	1,210.4
Shareholders' equity		**5,686.3**	4,542.6	**2,792.6**	1,727.5
Perpetual Sukuk	33	**1,207.7**	1,207.7	**1,207.7**	1,207.7
Non-controlling interests		**1,606.9**	1,607.5	**–**	–
Total equity		**8,500.9**	7,357.8	**4,000.3**	2,935.2
Non-current liabilities					
Borrowings	34	**1,440.6**	2,175.6	**–**	513.7
Payables	35	**34.8**	31.4	**–**	–
Deferred tax liabilities	19	**125.6**	105.7	**2.6**	2.3
Total non-current liabilities		**1,601.0**	2,312.7	**2.6**	516.0
Current liabilities					
Borrowings	34	**5,876.1**	5,858.3	**2,212.6**	1,842.0
Payables	35	**1,799.7**	1,893.5	**22.2**	70.2
Due to customers on contracts	27	**127.1**	116.0	**–**	–
Taxation		**26.7**	19.3	**–**	–
Dividend payable		**–**	62.0	**–**	62.0
Total current liabilities		**7,829.6**	7,949.1	**2,234.8**	1,974.2
Total liabilities		**9,430.6**	10,261.8	**2,237.4**	2,490.2
Total equity and liabilities		**17,931.5**	17,619.6	**6,237.7**	5,425.4

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

Statements of Changes in Equity
for the year ended 31 December 2016

	Share capital RM Million	Reserves RM Million	Total attributable to shareholders of the Company RM Million	Perpetual Sukuk RM Million	Non-controlling interests RM Million	Total equity RM Million
Group						
At 1 January 2015	517.1	4,222.0	4,739.1	1,140.7	1,693.5	7,573.3
Profit for the year	–	13.2	13.2	72.6	53.6	139.4
Other comprehensive income for the year	–	8.1	8.1	–	8.6	16.7
Total comprehensive income for the year	–	21.3	21.3	72.6	62.2	156.1
Transactions with owners						
Perpetual Sukuk (Note 33)						
– Issuance	–	(0.7)	(0.7)	66.0	–	65.3
– Distribution	–	–	–	(71.6)	–	(71.6)
Dividends (Note 12)	–	(217.1)	(217.1)	–	(148.2)	(365.3)
At 31 December 2015 and 1 January 2016	**517.1**	**4,025.5**	**4,542.6**	**1,207.7**	**1,607.5**	**7,357.8**
Profit for the year	**–**	**369.0**	**369.0**	**73.7**	**146.4**	**589.1**
Other comprehensive income for the year	**–**	**2.0**	**2.0**	**–**	**5.1**	**7.1**
Total comprehensive income for the year	**–**	**371.0**	**371.0**	**73.7**	**151.5**	**596.2**
Transactions with owners						
Share capital (Note 31)						
– Rights issue	**206.8**	**846.7**	**1,053.5**	**–**	**–**	**1,053.5**
– Bonus issue	**289.6**	**(289.6)**	**–**	**–**	**–**	**–**
Perpetual Sukuk (Note 33)						
– Distribution	**–**	**–**	**–**	**(73.7)**	**–**	**(73.7)**
Changes in ownership interest in Subsidiaries						
– Additional investment in a Subsidiary	**–**	**(4.8)**	**(4.8)**	**–**	**(7.1)**	**(11.9)**
– Issue of shares by a Subsidiary	**–**	**(0.4)**	**(0.4)**	**–**	**3.1**	**2.7**
– Share options granted by a Subsidiary	**–**	**–**	**–**	**–**	**5.9**	**5.9**
– Disposal of a Subsidiary	**–**	**–**	**–**	**–**	**(5.4)**	**(5.4)**
Dividends (Note 12)	**–**	**(275.6)**	**(275.6)**	**–**	**(148.6)**	**(424.2)**
At 31 December 2016	**1,013.5**	**4,672.8**	**5,686.3**	**1,207.7**	**1,606.9**	**8,500.9**

	Share Capital RM Million	Reserves RM Million	Total attributable to shareholders of the Company RM Million	Perpetual Sukuk RM Million	Total equity RM Million
Company					
At 1 January 2015	517.1	1,308.5	1,825.6	1,140.7	2,966.3
Profit for the year	–	120.1	120.1	72.6	192.7
Other comprehensive loss					
– Fair value changes	–	(0.4)	(0.4)	–	(0.4)
Total comprehensive income for the year	–	119.7	119.7	72.6	192.3
Transactions with owners					
Perpetual Sukuk (Note 33)					
– Issuance	–	(0.7)	(0.7)	66.0	65.3
– Distribution	–	–	–	(71.6)	(71.6)
Dividends (Note 12)	–	(217.1)	(217.1)	–	(217.1)
At 31 December 2015 and 1 January 2016	**517.1**	**1,210.4**	**1,727.5**	**1,207.7**	**2,935.2**
Profit for the year	**–**	**287.0**	**287.0**	**73.7**	**360.7**
Other comprehensive income					
– Fair value changes	**–**	**0.2**	**0.2**	**–**	**0.2**
Total comprehensive income for the year	**–**	**287.2**	**287.2**	**73.7**	**360.9**
Transactions with owners					
Share capital (Note 31)					
– Right issue	**206.8**	**846.7**	**1,053.5**	**–**	**1,053.5**
– Bonus issue	**289.6**	**(289.6)**	**–**	**–**	**–**
Perpetual Sukuk (Note 33)					
– Distribution	**–**	**–**	**–**	**(73.7)**	**(73.7)**
Dividends (Note 12)	**–**	**(275.6)**	**(275.6)**	**–**	**(275.6)**
At 31 December 2016	**1,013.5**	**1,779.1**	**2,792.6**	**1,207.7**	**4,000.3**

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

Statements of Cash Flows

for the year ended 31 December 2016

	Group		Company	
	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
Operating activities				
Cash receipts from customers	**8,927.1**	8,842.6	**7.0**	7.2
Cash paid to suppliers and employees	**(7,721.2)**	(8,067.7)	**(34.1)**	(36.6)
Cash generated from/(used in) operations	**1,205.9**	774.9	**(27.1)**	(29.4)
Tax (paid)/refunded	**(93.7)**	(131.9)	**(6.5)**	8.7
Net cash from/(used in) operating activities	**1,112.2**	643.0	**(33.6)**	(20.7)
Investing activities				
Acquisition of a Subsidiary (Note 45 (a))	**(3.0)**	–	**–**	–
Acquisition of a joint venture	**–**	(250.0)	**–**	(250.0)
Additional investment in Subsidiaries	**(11.9)**	–	**(274.8)**	–
Disposal of a Subsidiary (Note 45 (b))	**59.9**	–	**–**	–
Disposal of an associate	**167.2**	–	**–**	–
Investments purchased	**–**	–	**–**	(0.1)
Proceeds from disposal of investment property	**–**	33.7	**–**	–
Proceeds from disposal of investments	**–**	0.4	**–**	–
Biological assets and property, plant and equipment				
– Purchases	**(297.8)**	(321.9)	**(1.7)**	(0.7)
– Disposals	**297.1**	75.7	**–**	–
Purchase and development of investment properties and development properties	**(204.9)**	(232.6)	**(4.4)**	(0.6)
Purchase of intangible assets	**(57.5)**	(66.8)	**–**	–
Advances to a joint venture for capital expenditure	**(142.8)**	–	**–**	–
Deposits received on disposal of plantation land	**–**	22.0	**–**	–
Dividends received	**36.9**	28.4	**479.3**	247.7
Interest received	**43.8**	31.6	**85.0**	66.7
Net cash (used in)/from investing activities	**(113.0)**	(679.5)	**283.4**	63.0

	Group		Company	
	2016 RM Million	2015 RM Million	**2016 RM Million**	2015 RM Million
Financing activities				
Dividends paid				
– By the Company	**(337.6)**	(155.1)	**(337.6)**	(155.1)
– By Subsidiaries	**(148.6)**	(148.2)	**–**	–
Perpetual Sukuk				
– Issuance	**–**	65.3	**–**	65.3
– Distribution	**(73.7)**	(71.6)	**(73.7)**	(71.6)
Issue of shares				
– By the Company	**1,053.5**	–	**1,053.5**	–
– By a Subsidiary	**1.0**	–	**–**	–
Proceeds from long term loans	**187.2**	131.6	**80.3**	–
Repayment of long term loans	**(469.5)**	(326.0)	**(160.0)**	–
(Decrease)/increase of revolving credits and bankers' acceptances	**(400.4)**	1,086.7	**(45.0)**	275.0
Net (payments to)/receipts from Group companies	**–**	–	**(554.6)**	13.1
Interest paid	**(398.0)**	(395.1)	**(117.9)**	(121.7)
Net cash (used in)/from financing activities	**(586.1)**	187.6	**(155.0)**	5.0
Net increase in cash and cash equivalents	**413.1**	151.1	**94.8**	47.3
Foreign currency translation difference	**1.3**	1.2	**–**	–
Cash and cash equivalents at beginning of year	**1,278.5**	1,126.2	**38.0**	(9.3)
Cash and cash equivalents at end of year	**1,692.9**	1,278.5	**132.8**	38.0
Cash and cash equivalents at end of year				
Deposits, cash and bank balances (Note 29)	**1,717.6**	1,338.1	**141.4**	65.9
Overdrafts (Note 34)	**(24.7)**	(59.6)	**(8.6)**	(27.9)
	1,692.9	1,278.5	**132.8**	38.0

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.

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

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

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

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

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

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

(C) INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

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

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

Accounting Policies

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

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

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

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

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

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

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

Accounting Policies

(D) FAIR VALUE MEASUREMENT

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

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

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

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

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

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

- Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities.

- Level 2 – inputs other than quoted market prices that are observable either directly or indirectly.

- Level 3 – unobservable inputs for the asset or liability.

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

Accounting Policies

(E) INTANGIBLE ASSETS

(a) Goodwill

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

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

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

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

(b) Other intangible assets

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

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

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

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

Accounting Policies

(E) INTANGIBLE ASSETS (CONT'D.)

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

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

(i) Concession right

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

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

(ii) Research and development

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

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

(iii) Rights to supply

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

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

Accounting Policies

(E) INTANGIBLE ASSETS (CONT'D.)

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

(iv) Pharmacy manufacturing licence 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 Malaysia and Indonesia. The licence have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of pharmacy manufacturing licence over a period of 6 to 9 years.

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

(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.

Accounting Policies

(F) CURRENCY CONVERSION (CONT'D.)

(b) Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is recognised in profit or loss.

(G) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Buildings	5 – 80 years
Plant and machinery	3 – 30 years
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.

Accounting Policies

(H) BIOLOGICAL ASSETS

The expenditure on new planting and replanting of a different produce crop incurred up to the time of maturity is capitalised. Cost of development of the original produce crop is written off to profit or loss.

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

(I) INVESTMENT PROPERTIES

Investment properties are properties that are held either to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. Investment properties under construction (IPUC) are measured at fair value, or where fair value cannot be determined reliably, are measured at cost less impairment.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

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

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

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

Accounting Policies

(J) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS

(a) Development properties

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

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

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

(b) Property development in progress

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

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

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

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

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

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

(K) LONG TERM PREPAYMENTS

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

Accounting Policies

(L) CONSTRUCTION CONTRACTS

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

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

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

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

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

(M) REVENUE RECOGNITION

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

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

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

Accounting Policies

(N) TAXATION

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

Current tax is the expected amount of taxation payable in respect of the taxable profit (including withholding tax and real property gains tax payable on disposals of property) for the year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date.

Current tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in Subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with the investments in Subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Accounting Policies

(O) EMPLOYEE BENEFITS

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

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

(P) INVENTORIES

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

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

(Q) FINANCIAL ASSETS

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

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

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

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

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

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

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

Accounting Policies

(Q) FINANCIAL ASSETS (CONT'D.)

(b) Loans and receivables

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

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

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

(c) Available for sale (AFS) financial assets

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

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

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

AFS financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

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

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

Accounting Policies

(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.

Accounting Policies

(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.

Accounting Policies

(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 28th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur.

Information on the Group's investment in Subsidiaries, associates and joint ventures is set out on pages 226 to 232 of this annual report.

The Company is a subsidiary of Lembaga Tabung Angkatan Tentera, a local statutory body established under the Tabung Angkatan Tentera Act, 1973.

These financial statements are presented in Ringgit Malaysia and rounded to the nearest million, unless otherwise stated. These financial statements were approved and authorised for issue by the Directors on 1 March 2017.

2. CHANGES IN ACCOUNTING POLICIES

The Group applied for the first time the following new and amended standards which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- 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 2012 – 2014 Cycle)
- Amendments to FRS 119 Employee Benefits (Annual Improvements 2012 – 2014 Cycle)
- Amendments to FRS 134 Interim Financial Reporting (Annual Improvements 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

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 2017

- Amendments to FRS 12 Disclosure of Interests in Other Entities (Annual Improvements 2014 – 2016 Cycle)
- Amendments to FRS 107 Statement of Cash Flows – Disclosure Initiative
- Amendments to FRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual period beginning on or after 1 January 2018

- Amendments to FRS 1 First Time Adoption of Financial Reporting Standards (Annual Improvements 2014 – 2016 Cycle)
- Amendments to FRS 2 Share-based Payment Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 4 Insurance Contracts (Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts)
- FRS 9 Financial Instruments
- Amendments to FRS 128 Investment in Associates and Joint Ventures (Annual Improvements 2014 – 2016 Cycle)
- Amendments to FRS 140 Investment Properties (Transfer of investment property)
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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 or Joint Venture.

Notes to the Financial Statements

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

Amendments to FRS 112 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. These amendments are not expected to have any impact on the Group.

Amendments to FRS 107 Statement of Cash Flows Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendments, entities are not required to provide comparative information for the preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

Application of the amendments will result in additional disclosure provided by the Group.

FRS 9 Financial Instruments

In November 2014, the Malaysian Accounting Standards Board (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.

Notes to the Financial Statements

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

MFRS Framework

On 19 November 2011, 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 2015 and 31 December 2016 could be different if prepared under the MFRS Framework.

The Group is in the process of assessing the impact of the new pronouncements that are yet to be adopted, including MFRS 141, MFRS 15 and MFRS 16. MFRS 16 Leases was issued by MASB on 15 April 2016 and is applicable to annual periods beginning on or after 1 January 2019.

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 (goodwill and intangible assets with indefinite useful lives) are tested for impairment annually and at any other time when such indicators exist. Intangible assets are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use 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 losses. Further details of the key assumptions applied in the impairment assessment of intangible assets are given in Note 24.

(b) Useful lives of property, plant and equipment

The Group 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 property, plant and equipment, biological assets and prepaid land lease payments

The Group reviews the carrying amounts of the property, plant and equipment, biological assets and prepaid land lease payments at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group shall estimate the recoverable amount of CGU or groups of CGU. The recoverable amount is measured at the higher of fair value less costs of disposals or value in use.

Where assessment of recoverable amounts of CGU or groups of CGU is determined on the basis of fair value less costs of disposal, projected future cash flows are estimated based on historical sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment losses. Determining the value in use of CGU or groups of CGU requires the determination of future cash flows expected to be derived from continuing use of the asset and from its ultimate disposal of such assets, which thus require the Group to make estimates and assumptions that can materially affect the financial statements.

Notes to the Financial Statements

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

(c) Impairment of property, plant and equipment, biological assets and prepaid land lease payments (cont'd.)

In estimating the recoverable amount, the estimated future cash flows expected are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The preparation of the discounted cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, changes in the assumptions may materially affect the assessment of recoverable amounts. The accumulated impairment losses for biological assets is disclosed in Note 14.

(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. Information on the Group's construction contract balances, revenue and cost are disclosed in Note 27.

Notes to the Financial Statements

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

(g) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unused tax credits and unabsorbed capital allowances 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.

(h) Revision in useful life of rights to supply

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

During the financial year, in view of the ongoing negotiations to finalise the terms and conditions for the extension of the concession, the Group has revised the remaining estimated useful life of the expenses incurred for the rights to supply under the concession agreement from 4 years to 14 years. The impact of the revision in useful life has been accounted for as a change in accounting estimate and shall be applied prospectively. The change has resulted in lower amortisation charge of RM23.4 million for the financial year.

Notes to the Financial Statements

5. REVENUE

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Sale of produce	**705.7**	614.0	**–**	–
Sale of goods				
– Petroleum products	**3,247.7**	3,192.3	**–**	–
– Pharmaceutical products	**2,189.0**	2,189.3	**–**	–
– Building materials	**349.9**	376.0	**–**	–
– Others	**7.4**	13.7	**–**	–
Ship repair	**330.0**	331.7	**–**	–
Shipbuilding	**481.8**	772.6	**–**	–
Sale of development properties	**389.3**	354.9	**–**	–
Rental income	**123.8**	125.0	**7.1**	7.3
Hotel operations	**168.5**	180.2	**–**	–
Tuition fees	**149.6**	144.1	**–**	–
Air transportation and flight services	**171.1**	300.7	**–**	–
Chartering of vessels	**6.0**	10.9	**–**	–
Gross dividends from quoted shares in Malaysia				
– Subsidiaries	**–**	–	**157.9**	161.4
– Associates	**–**	–	**32.1**	12.0
– Others	**–**	–	**0.1**	0.1
Gross dividends from unquoted shares in Malaysia				
– Subsidiaries	**–**	–	**234.3**	123.5
– Associates	**–**	–	**1.0**	0.9
Others	**51.5**	57.1	**7.9**	7.9
	8,371.3	8,662.5	**440.4**	313.1

Notes to the Financial Statements

6. OPERATING COST

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Changes in inventories of finished goods and work in progress	**25.8**	2.9	**–**	–
Finished goods and work in progress purchases	**4,892.5**	4,896.4	**–**	–
Raw materials and consumables used	**1,069.6**	1,515.3	**–**	–
Staff costs	**677.3**	652.8	**19.1**	18.1
Defined contribution plans	**88.5**	85.0	**2.9**	2.7
Depreciation and amortisation				
– Property, plant and equipment (Note 13)	**262.1**	259.2	**0.7**	0.6
– Prepaid land lease payments (Note 17)	**2.1**	2.1	**–**	–
– Long term prepayments (Note 18)	**9.8**	9.4	**–**	–
– Intangible assets (Note 24)	**23.2**	37.6	**–**	–
Auditors' remuneration				
– Statutory audit	**4.2**	3.9	**0.3**	0.3
– Others	**1.1**	1.3	**0.1**	0.1
Directors' fees – current year	**1.3**	1.2	**0.5**	0.5
Directors' remuneration				
– Emoluments	**5.0**	5.4	**3.2**	3.4
– Benefits	**0.8**	0.7	**0.7**	0.6
Biological assets and property, plant and equipment				
– Gain on disposal of other assets	**(42.5)**	(1.8)	**–**	–
– Written off (Note 13)	**2.6**	–	**0.1**	–
– Impairment losses on property, plant and equipment (Note 13)	**4.6**	12.9	**–**	–
– Reversal of impairment losses on property, plant and equipment (Note 13)	**(0.3)**	–	**–**	–
– Impairment losses on biological assets (Note 14)	**10.4**	–	**–**	–
Gain on disposal of investment properties	**–**	(7.6)	**–**	–
Trade receivables (Note 28)				
– Impairment losses	**12.2**	21.0	**–**	–
– Reversal of impairment losses	**(5.9)**	(12.2)	**–**	–
Other operating cost	**865.0**	864.2	**3.6**	42.4
	7,909.4	8,349.7	**31.2**	68.7

Notes to the Financial Statements

6. OPERATING COST (CONT'D.)

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Other operating cost includes:				
Rent paid	**35.3**	33.1	**2.5**	2.1
Investment properties				
– Direct operating expenses	**44.3**	44.9	**3.4**	3.6
Aircraft and flight operating expenses				
– Maintenance and upkeep	**20.4**	97.2	**–**	–
Hire of equipment	**4.6**	3.7	**–**	–
Research and development	**16.6**	20.8	**–**	–
Net fair value gain on derivatives	**(9.1)**	(34.6)	**–**	–
Net foreign exchange loss				
– Realised	**11.2**	31.4	**–**	–
– Unrealised	**17.3**	10.6	**–**	–
Inventories				
– Writedown	**40.4**	11.6	**–**	–
– Writeback	**(1.6)**	(3.0)	**–**	–
Amounts due from Subsidiaries (Note 28)				
– Impairment losses	**–**	–	**–**	31.5
– Reversal of impairment losses	**–**	–	**(9.4)**	–
Other receivables (Note 28)				
– Impairment losses	**14.3**	–	**3.4**	–
Advertising and promotion	**57.2**	53.1	**–**	–

7. INTEREST INCOME

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Interest income				
– Subsidiaries	**–**	–	**79.7**	66.4
– Associates and joint ventures	**5.5**	6.7	**1.5**	0.1
– Others	**38.3**	24.9	**4.3**	0.4
	43.8	31.6	**85.5**	66.9

Notes to the Financial Statements

8. OTHER INVESTMENT RESULTS

	Group		Company	
	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
Gross dividends				
– Quoted shares in Malaysia	**1.1**	1.3	**–**	–
Profit on disposal of				
– Subsidiaries (Note 45(b))	**33.4**	–	**–**	–
– Associate	**209.6**	–	**–**	–
– Other investments	**–**	0.1	**–**	–
Net fair value gain on investment properties (Note 15)	**40.3**	83.1	**1.8**	12.3
Impairment losses				
– Quoted shares in Malaysia	**(2.9)**	(3.7)	**–**	–
– Goodwill (Note 24)	**(4.5)**	(7.4)	**–**	–
– Subsidiaries	**–**	–	**(9.8)**	–
	277.0	73.4	**(8.0)**	12.3

9. FINANCE COST

	Group		Company	
	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
Interest expense on				
– Loans from Subsidiaries	**–**	–	**2.9**	4.4
– Bank borrowings	**310.4**	297.0	**67.8**	65.6
– Bank guaranteed medium term notes	**50.0**	54.3	**50.0**	54.3
– Asset-backed bonds	**42.1**	45.3	**–**	–
	402.5	396.6	**120.7**	124.3
Capitalised in qualifying assets				
– Property, plant and equipment (Note 13)	**(1.9)**	(1.3)	**–**	–
– Biological assets (Note 14)	**(0.2)**	(0.3)	**–**	–
– Investment properties (Note 15)	**(2.8)**	(2.2)	**–**	–
– Development properties (Note 16)	**(6.1)**	(4.7)	**–**	–
– Property development in progress (Note 26)	**(6.1)**	(8.0)	**–**	–
– Construction contracts (Note 27)	**(91.8)**	(89.6)	**–**	–
	(108.9)	(106.1)	**–**	–
	293.6	290.5	**120.7**	124.3

Notes to the Financial Statements

10. TAXATION

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Taxation on profit for the year				
– Malaysian	**139.5**	123.5	**4.4**	5.9
– Foreign	**1.7**	2.4	**–**	–
– Deferred tax relating to origination and reversal of temporary differences (Note 19)	**23.0**	18.5	**0.3**	0.8
	164.2	144.4	**4.7**	6.7
(Over)/under provision in prior year				
– Malaysian	**(11.5)**	(14.5)	**0.6**	(0.1)
– Deferred tax (Note 19)	**(1.4)**	(0.1)	**–**	–
	151.3	129.8	**5.3**	6.6

A reconciliation of taxation applicable to profit before taxation at the statutory income tax rate of 24% (2015: 25%) to taxation at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Profit before taxation	**740.4**	269.2	**366.0**	199.3
Taxation at Malaysian statutory rate of 24% (2015: 25%)	**177.7**	67.3	**87.8**	49.8
Income not subject to tax	**(13.5)**	(15.8)	**(119.9)**	(74.5)
Income subject to different tax rates	**(71.7)**	(15.7)	**–**	(2.5)
Share of results in associates and joint ventures	**(30.5)**	(21.2)	**–**	–
Non-deductible expenses	**71.9**	83.2	**36.8**	33.8
Expenses subject to double deduction	**(4.1)**	(2.8)	**–**	–
Tax incentives	**(4.5)**	(3.3)	**–**	–
Deferred tax assets not recognised	**61.5**	55.8	**–**	0.1
Benefit from previously unrecognised tax losses and unabsorbed capital allowances	**(22.6)**	(3.1)	**–**	–
	164.2	144.4	**4.7**	6.7
(Over)/under provision in prior year	**(12.9)**	(14.6)	**0.6**	(0.1)
Taxation recognised in profit or loss	**151.3**	129.8	**5.3**	6.6

Notes to the Financial Statements

11. EARNINGS PER SHARE

Basic and diluted earnings per share of the Group is calculated by dividing the consolidated profit for the year attributable to shareholders of the Company of RM369.0 million (2015: RM13.2 million) by the weighted average number of ordinary shares in issue during the year of 1,842.1 million (2015: 1,640.4 million).

12. DIVIDENDS

	Dividend amount		Dividend per share	
	2016 RM Million	**2015 RM Million**	**2016 Sen**	**2015 Sen**
Dividends on ordinary shares in respect of financial year ended 31 December				
– First interim	**51.7**	51.7	**5.0**	5.0
– Second interim	**81.1**	51.7	**4.0**	5.0
– Third interim	**101.4**	62.0	**5.0**	6.0
	234.2	165.4	**14.0**	16.0
Fourth interim dividend paid in respect of the previous financial year	**41.4**	51.7	**4.0**	5.0
	275.6	217.1	**18.0**	21.0

Subsequent to the end of the current financial year, the Directors declared a fourth interim dividend of 3.5 sen per share amounting to RM70.9 million in respect of the financial year ended 31 December 2016. The dividend which will be paid on 28 March 2017 will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

	Others RM Million	Total RM Million
Company – 2016		
Cost		
At 1 January 2016	**9.7**	**9.7**
Additions	**1.7**	**1.7**
Written off (Note 6)	**(0.1)**	**(0.1)**
Transfer from Group companies	**0.4**	**0.4**
At 31 December 2016	**11.7**	**11.7**
Accumulated depreciation		
At 1 January 2016	**7.2**	**7.2**
Charge for the year (Note 6)	**0.7**	**0.7**
At 31 December 2016	**7.9**	**7.9**
Net book value		
At 31 December 2016	**3.8**	**3.8**
Company – 2015		
Cost		
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
Accumulated depreciation		
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
Net book value		
At 31 December 2015	2.5	2.5

Notes to the Financial Statements

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

	Land and buildings RM Million	Aircraft RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
Group – 2016					
Cost or valuation					
At 1 January	3,641.1	1,020.3	845.6	927.0	6,434.0
Acquisition of a Subsidiary (Note 45(a))	–	–	–	0.6	0.6
Disposal of a Subsidiary (Note 45(b))	(3.4)	–	(1.1)	(0.9)	(5.4)
Additions	22.6	0.1	21.6	228.1	272.4
Disposals	(19.3)	(21.0)	(8.9)	(7.3)	(56.5)
Written off (Note 6)	(0.6)	–	(5.2)	(9.3)	(15.1)
Transfer to assets held for sale (Note 30)	(50.3)	–	–	–	(50.3)
Reclassification	34.6	–	62.0	(96.6)	–
Exchange adjustment	(13.9)	–	–	0.4	(13.5)
At 31 December	3,610.8	999.4	914.0	1,042.0	6,566.2
Accumulated depreciation and impairment losses					
At 1 January	334.7	251.1	359.8	453.4	1,399.0
Disposal of a Subsidiary (Note 45(b))	(1.0)	–	(0.7)	(0.8)	(2.5)
Charge for the year					
– Recognised in profit or loss (Note 6)	63.7	60.2	67.1	71.1	262.1
– Capitalised in contract cost (Note 27)	–	–	–	9.6	9.6
Transfer to assets held for sale (Note 30)	(0.3)	–	–	–	(0.3)
Impairment losses (Note 6)	–	–	–	4.6	4.6
Reversal of impairment losses (Note 6)	(0.3)	–	–	–	(0.3)
Disposals	(6.4)	(13.0)	(8.3)	(4.5)	(32.2)
Written off (Note 6)	(0.6)	–	(4.1)	(7.8)	(12.5)
Reclassification	0.5	–	0.1	(0.6)	–
Exchange adjustment	0.1	–	–	0.4	0.5
At 31 December	390.4	298.3	413.9	525.4	1,628.0
Net book value					
At 31 December 2016	3,220.4	701.1	500.1	516.6	4,938.2
Accumulated impairment losses					
At 31 December 2016	–	–	–	32.6	32.6

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
Group – 2015					
Cost or valuation					
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
Accumulated depreciation and impairment losses					
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 from/(to)					
– 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 losses (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
Net book value					
At 31 December 2015	3,306.4	769.2	485.8	473.6	5,035.0
Accumulated impairment losses					
At 31 December 2015	0.3	–	–	28.0	28.3

Notes to the Financial Statements

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

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Analysis of net book value of land and buildings:				
Freehold property				
– Land	**932.2**	986.3	**–**	–
– Building	**1,135.8**	1,126.6	**–**	–
	2,068.0	2,112.9	**–**	–
Leasehold property				
Long leasehold				
– Land	**642.3**	642.5	**–**	–
– Building	**334.9**	374.7	**–**	–
Short leasehold				
– Land	**7.6**	9.3	**–**	–
– Building	**167.6**	167.0	**–**	–
	1,152.4	1,193.5	**–**	–
	3,220.4	3,306.4	**–**	–
Analysis of cost or valuation:				
Cost	**6,431.0**	6,298.8	**11.7**	9.7
Valuation	**135.2**	135.2	**–**	–
	6,566.2	6,434.0	**11.7**	9.7

Included in the Group's other property, plant and equipment is capital work in progress costing RM259.8 million (2015: RM249.4 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 RM54.3 million (2015: RM55.8 million).

Additions to the Group's property, plant and equipment during the year include the capitalisation of interest cost of RM1.9 million (2015: RM1.3 million) (Note 9).

The net carrying amount of property, plant and equipment pledged as securities for borrowings as disclosed in Note 34 is RM165.1 million (2015: RM211.5 million).

Impairment losses of RM4.6 million for the year represents the write down of cranes and capital work in progress to their recoverable amounts as a result of current market conditions.

Notes to the Financial Statements

14. BIOLOGICAL ASSETS

	Group	
	2016 RM Million	**2015 RM Million**
Cost		
At 1 January	**1,295.7**	1,295.5
Disposal of a Subsidiary (Note 45(b))	**(19.5)**	–
Additions	**27.5**	1.4
Transfer to assets held for sale (Note 30)	**(10.1)**	(0.4)
Disposals	**(0.3)**	(0.8)
At 31 December	**1,293.3**	1,295.7
Accumulated impairment losses		
At 1 January	**34.3**	34.3
Impairment for the year (Note 6)	**10.4**	–
At 31 December	**44.7**	34.3
Net book value		
At 31 December	**1,248.6**	1,261.4
Interest cost capitalised during the year (Note 9)	**0.2**	0.3

During the year, certain oil palm estates and mills of the Group with a net carrying amount of RM193.2 million reported net losses, mainly arising from declining fresh fruit bunches yield. This was identified by management as an indication of impairment of the related property, plant and equipment, biological assets and prepaid land lease payments.

Management performed an impairment assessment and estimated the recoverable amount as the higher of fair value less costs of disposal and value in use. The impairment review gave rise to impairment losses of RM10.4 million in respect of biological assets located in Sarawak with a net carrying amount of RM77.7 million. The impairment losses were recognised based on the estimated recoverable amount of RM67.3 million which was derived from value in use and discounted using a pre-tax discount rate of 9.5%.

Notes to the Financial Statements

15. INVESTMENT PROPERTIES

	Completed investment properties RM Million	Investment properties under construction at cost RM Million	Total RM Million
Group			
At 1 January 2015	1,500.4	33.8	1,534.2
Net fair value gain (Note 8)	83.1	–	83.1
Additions	–	49.4	49.4
Additions from subsequent expenditure	3.5	–	3.5
Transfer to			
– Property, plant and equipment (Note 13)	(106.0)	–	(106.0)
– Development properties (Note 16)	(9.6)	–	(9.6)
Disposals	(26.1)	–	(26.1)
Exchange adjustment	15.3	–	15.3
At 31 December 2015 and 1 January 2016	**1,460.6**	**83.2**	**1,543.8**
Net fair value gain (Note 8)	**40.3**	**–**	**40.3**
Additions	**–**	**44.3**	**44.3**
Additions from subsequent expenditure	**12.7**	**–**	**12.7**
At 31 December 2016	**1,513.6**	**127.5**	**1,641.1**
Company			
At 1 January 2015	87.9	–	87.9
Net fair value gain (Note 8)	12.3	–	12.3
Additions from subsequent expenditure	0.6	–	0.6
At 31 December 2015 and 1 January 2016	**100.8**	**–**	**100.8**
Net fair value gain (Note 8)	**1.8**	**–**	**1.8**
Additions from subsequent expenditure	**4.4**	**–**	**4.4**
At 31 December 2016	**107.0**	**–**	**107.0**

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

Additions to the Group's investment properties during the year include the capitalisation of interest cost of RM2.8 million (2015: RM2.2 million) (Note 9).

Notes to the Financial Statements

16. DEVELOPMENT PROPERTIES

	Group	
	2016 RM Million	**2015 RM Million**
At 1 January		
– Freehold land, at cost	**294.9**	294.9
– Long leasehold land, at cost	**4.3**	4.5
– Development costs	**339.7**	202.1
	638.9	501.5
Transfer to property development in progress (Note 26)		
– Freehold land	**(0.2)**	–
– Long leasehold land	**(0.7)**	(0.2)
– Development costs	**(137.8)**	(53.9)
	(138.7)	(54.1)
Transfer from investment properties (Note 15)	**–**	9.6
	(138.7)	(44.5)
Cost incurred during the year		
– Development costs	**144.6**	173.1
– Exchange adjustment	**(8.2)**	8.8
	136.4	181.9
At 31 December	**636.6**	638.9
Interest cost capitalised during the year (Note 9)	**6.1**	4.7

Notes to the Financial Statements

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2016 RM Million	**2015 RM Million**
Cost		
At 1 January	**72.8**	71.9
Disposal of a Subsidiary (Note 45(b))	**(6.2)**	–
Additions	**–**	2.0
Transfer to property, plant and equipment (Note 13)	**–**	(1.3)
Exchange adjustment	**–**	0.2
At 31 December	**66.6**	72.8
Accumulated amortisation		
At 1 January	**11.2**	9.3
Disposal of a Subsidiary (Note 45(b))	**(0.7)**	–
Charge for the year (Note 6)	**2.1**	2.1
Transfer to property, plant and equipment (Note 13)	**–**	(0.2)
At 31 December	**12.6**	11.2
Net book value		
At 31 December	**54.0**	61.6
Amount to be amortised		
– Within 1 year	**2.1**	2.1
– Later than 1 year but not later than 5 years	**8.5**	8.4
– Later than 5 years	**43.4**	51.1
	54.0	61.6

Notes to the Financial Statements

18. LONG TERM PREPAYMENTS

	Group	
	2016 RM Million	2015 RM Million
At 1 January	**170.3**	153.7
Additions	**22.6**	26.0
Charge for the year (Note 6)	**(9.8)**	(9.4)
At 31 December	**183.1**	170.3

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	
	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
At 1 January	**(55.6)**	(37.0)	**(2.3)**	(1.5)
Acquisition of a Subsidiary (Note 45(a))	**(0.1)**	–	**–**	–
Disposal of a Subsidiary (Note 45(b))	**(2.4)**	–	**–**	–
Recognised in profit or loss (Note 10)	**(21.6)**	(18.4)	**(0.3)**	(0.8)
Exchange adjustment	**0.4**	(0.2)	**–**	–
At 31 December	**(79.3)**	(55.6)	**(2.6)**	(2.3)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**46.3**	50.1	**–**	–
Deferred tax liabilities	**(125.6)**	(105.7)	**(2.6)**	(2.3)
	(79.3)	(55.6)	**(2.6)**	(2.3)

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

Notes to the Financial Statements

19. DEFERRED TAXATION (CONT'D.)

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

	Tax losses RM Million	Unabsorbed capital allowances RM Million	Others RM Million	Total RM Million
Deferred tax assets – Group				
At 1 January 2015	103.3	118.0	47.8	269.1
Recognised in profit or loss	(4.8)	(33.4)	(2.2)	(40.4)
At 31 December 2015 and 1 January 2016	**98.5**	**84.6**	**45.6**	**228.7**
Disposal of a Subsidiary (Note 45(b))	**(1.7)**	**(1.3)**	**–**	**(3.0)**
Recognised in profit or loss	**6.9**	**3.1**	**0.8**	**10.8**
Exchange adjustment	**–**	**0.4**	**–**	**0.4**
At 31 December 2016	**103.7**	**86.8**	**46.4**	**236.9**

	Fair value gain on investment properties RM Million	Accelerated depreciation RM Million	Others RM Million	Total RM Million
Deferred tax liabilities – Group				
At 1 January 2015	(17.1)	(251.1)	(37.9)	(306.1)
Recognised in profit or loss	2.0	16.3	3.7	22.0
Exchange adjustment	–	–	(0.2)	(0.2)
At 31 December 2015 and 1 January 2016	**(15.1)**	**(234.8)**	**(34.4)**	**(284.3)**
Acquisition of a Subsidiary (Note 45(a))	**–**	**–**	**(0.1)**	**(0.1)**
Disposal of a Subsidiary (Note 45(b))	**–**	**0.6**	**–**	**0.6**
Recognised in profit or loss	**(5.4)**	**(15.5)**	**(11.5)**	**(32.4)**
At 31 December 2016	**(20.5)**	**(249.7)**	**(46.0)**	**(316.2)**

Notes to the Financial Statements

19. DEFERRED TAXATION (CONT'D.)

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

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Unused tax losses	**1,015.8**	946.3	**–**	–
Unabsorbed capital allowances and agricultural allowances	**492.7**	399.7	**–**	0.1
Unabsorbed investment tax allowances	**22.3**	22.7	**–**	–
	1,530.8	1,368.7	**–**	0.1

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	
	2016 RM Million	**2015 RM Million**
At cost		
Shares quoted in Malaysia	**1,117.4**	1,117.4
Unquoted shares	**2,127.5**	1,855.8
	3,244.9	2,973.2
Accumulated impairment losses	**(15.6)**	(5.8)
	3,229.3	2,967.4
Market value of quoted shares	**2,598.1**	2,527.9

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
Group - 2016					
NCI percentage of ownership interest and voting interest	**40%**	**43%**	**44%**		
Carrying amount of NCI	**252.9**	**959.7**	**295.3**	**99.0**	**1,606.9**
Profit allocated to NCI	**59.8**	**85.6**	**16.4**	**(15.4)**	**146.4**
Dividends paid to NCI	**29.7**	**96.0**	**22.9**	**–**	**148.6**

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

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
As at 31 December 2016			
Non-current assets	**900.1**	**2,657.9**	**806.4**
Current assets	**427.8**	**599.6**	**876.7**
Non-current liabilities	**(28.8)**	**(129.5)**	**(61.7)**
Current liabilities	**(787.2)**	**(913.3)**	**(1,062.0)**
Net assets	**511.9**	**2,214.7**	**559.4**
Year ended 31 December 2016			
Revenue	**3,248.1**	**707.9**	**2,189.0**
Profit for the year	**100.1**	**216.4**	**45.9**
Other comprehensive income	**–**	**0.3**	**9.0**
Total comprehensive income	**100.1**	**216.7**	**54.9**
Cashflows from/(used in)			
Operating activities	**91.5**	**139.4**	**35.4**
Investing activities	**(36.7)**	**140.2**	**(146.2)**
Financing activities	**(30.3)**	**(271.4)**	**157.4**
Net increase in cash and cash equivalents	**24.5**	**8.2**	**46.6**

Notes to the Financial Statements

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
Group - 2015					
NCI percentage of ownership interest and voting interest	40%	43%	44%		
Carrying amount of NCI	222.8	975.4	294.9	114.4	1,607.5
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
As at 31 December 2015			
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
Year ended 31 December 2015			
Revenue	3,192.3	615.2	2,189.3
Profit for the year	21.9	72.3	84.6
Other comprehensive income	–	0.1	14.0
Total comprehensive income	21.9	72.4	98.6
Cashflows from/(used in)			
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)

Notes to the Financial Statements

21. ASSOCIATES

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
At cost				
Shares quoted in Malaysia	**881.0**	881.0	**881.0**	881.0
Unquoted shares	**91.1**	102.2	**58.4**	58.4
	972.1	983.2	**939.4**	939.4
Shares of post acquisition reserves	**1,001.6**	860.3	**–**	–
	1,973.7	1,843.5	**939.4**	939.4
Market value of quoted shares	**960.8**	900.5	**960.8**	900.5

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
Group - 2016	
Percentage of ownership interest	**20.7%**
As at 31 December 2016	
Total assets	**68,886.3**
Total liabilities and non-controlling interest	**(60,203.8)**
Net assets	**8,682.5**
Year ended 31 December 2016	
Revenue	**3,518.4**
Profit for the year	**564.0**
Other comprehensive loss	**(8.5)**
Total comprehensive income	**555.5**

Notes to the Financial Statements

21. ASSOCIATES (CONT'D.)

	Affin RM Million	Associates that are not individually material RM Million	Total RM Million
Reconciliation of net assets to carrying amount as at 31 December 2016			
Group's share of net assets	**1,797.3**	**156.9**	**1,954.2**
Goodwill	**15.2**	**4.3**	**19.5**
Carrying amount in the statement of financial position	**1,812.5**	**161.2**	**1,973.7**
Group's share of results for the year ended 31 December 2016			
Group's share of profit	**116.7**	**6.4**	**123.1**
Group's share of other comprehensive income	**(1.8)**	**1.2**	**(0.6)**
Group's share of total comprehensive income	**114.9**	**7.6**	**122.5**
Other information			
Dividends received by the Group	**32.1**	**1.0**	**33.1**

	Affin RM Million
Group - 2015	
Percentage of ownership interest	20.7%
As at 31 December 2015	
Total assets	67,402.0
Total liabilities and non-controlling interest	(59,119.5)
Net assets	8,282.5
Year ended 31 December 2015	
Revenue	3,389.4
Profit for the year	356.7
Other comprehensive income	30.5
Total comprehensive income	387.2

Notes to the Financial Statements

21. ASSOCIATES (CONT'D.)

	Affin RM Million	Associates that are not individually material RM Million	Total RM Million
Reconciliation of net assets to carrying amount as at 31 December 2015			
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
Group's share of results for the year ended 31 December 2015			
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
Other information			
Dividends received by the Group	12.0	9.7	21.7

22. JOINT VENTURES

	Group		Company	
	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
At cost				
Unquoted shares	**483.9**	483.9	**250.0**	250.0
Share of post acquisition reserves	**135.1**	137.2	**–**	–
	619.0	621.1	**250.0**	250.0

Notes to the Financial Statements

22. JOINT VENTURES ICONT'D.)

Material joint ventures

The Group regards Boustead Ikano Sdn Bhd (BISB) and Irat Properties Sdn Bhd (Irat) as material joint ventures. The summarised information, adjusted for any differences in accounting policies and 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
Group - 2016		
Percentage of ownership interest	50%	50%
As at 31 December 2016		
Non-current assets	1,181.3	1,670.4
Cash and cash equivalents	58.0	32.5
Other current assets	7.9	182.4
Total current assets	65.9	214.9
Total assets	1,247.2	1,885.3
Trade and other payables and provisions	31.6	–
Non-current financial liabilities	498.2	868.6
Total non-current liabilities	529.8	868.6
Trade and other payables and provisions	56.6	76.8
Current financial liabilities	182.4	333.7
Total current liabilities	239.0	410.5
Non-controlling interests	58.5	–
Total liabilities and non-controlling interests	827.3	1,279.1
Net assets	419.9	606.2

Notes to the Financial Statements

22. JOINT VENTURES (CONT'D.)

Material joint ventures (cont'd.)

	Irat RM Million	BISB RM Million
Group - 2016 (cont'd.)		
Year ended 31 December 2016		
Revenue	43.2	2.5
(Loss)/profit for the year	(67.0)	32.7
Other comprehensive loss	–	(6.7)
Total comprehensive (loss)/income	(67.0)	26.0

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

	Irat RM Million	BISB RM Million
Depreciation	32.9	0.1
Interest income	(1.8)	–
Interest expense	43.0	4.1
Taxation	0.5	2.5

	Irat RM Million	BISB RM Million	JV that are not individually material RM Million	Total RM Million
Reconciliation of net assets to carrying amount as at 31 December 2016				
Group's share of net assets	209.9	303.1	102.0	615.0
Goodwill	0.2	–	3.8	4.0
Carrying amount in the statement of financial position	210.1	303.1	105.8	619.0
Group's share of results for the year ended 31 December 2016				
Group's share of profit	(33.6)	16.5	21.1	4.0
Group's share of other comprehensive income	–	(3.4)	–	(3.4)
Group's share of total comprehensive income	(33.6)	13.1	21.1	0.6
Other information				
Dividends received by the Group	–	–	2.7	2.7

Notes to the Financial Statements

22. JOINT VENTURES (CONT'D.)

Material joint ventures (cont'd.)

	Irat RM Million	BISB RM Million
Group - 2015		
Percentage of ownership interest	50%	50%
As at 31 December 2015		
Non-current assets	1,296.5	1,009.5
Cash and cash equivalents	40.9	14.1
Other current assets	15.4	130.7
Total current assets	56.3	144.8
Total assets	1,352.8	1,154.3
Trade and other payables and provisions	32.5	–
Non-current financial liabilities	636.2	432.7
Total non-current liabilities	668.7	432.7
Trade and other payables and provisions	51.6	125.1
Current financial liabilities	89.7	16.4
Total current liabilities	141.3	141.5
Non-controlling interests	55.9	–
Total liabilities and non-controlling interests	865.9	574.2
Net assets	486.9	580.1
Year ended 31 December 2015		
Revenue	42.9	0.4
(Loss)/profit for the year	(12.6)	5.2
Other comprehensive loss	–	(10.2)
Total comprehensive loss	(12.6)	(5.0)

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

Depreciation	15.7	0.1
Interest income	(0.6)	(0.1)
Interest expense	36.8	–
Taxation	0.1	0.6

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
Reconciliation of net assets to carrying amount as at 31 December 2015				
Group's share of net assets	243.5	290.0	83.6	617.1
Goodwill	0.2	–	3.8	4.0
Carrying amount in the statement of financial position	243.7	290.0	87.4	621.1
Group's share of results for the year ended 31 December 2015				
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
Other information				
Dividends received by the Group	–	–	5.4	5.4

23. INVESTMENTS

	Group		Company	
	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
Available for sale financial instruments				
– Shares quoted in Malaysia	**32.1**	33.1	**5.4**	5.2
– Unquoted shares	**0.5**	0.5	**0.5**	0.5
	32.6	33.6	**5.9**	5.7
Accumulated impairment losses	**(0.5)**	(0.5)	**(0.5)**	(0.5)
	32.1	33.1	**5.4**	5.2

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

Notes to the Financial Statements

24. INTANGIBLE ASSETS

	Goodwill RM Million	Concession right RM Million	Pharmacy manufacturing licence and trade name RM Million	Rights to supply RM Million	Total RM Million
Group					
Cost					
At 1 January 2015	1,229.8	75.0	19.4	110.4	1,434.6
Additions	–	–	–	66.8	66.8
Exchange adjustment	6.3	–	2.4	–	8.7
At 31 December 2015 and 1 January 2016	**1,236.1**	**75.0**	**21.8**	**177.2**	**1,510.1**
Additions	**–**	**–**	**–**	**57.5**	**57.5**
Acquisition of a Subsidiary (Note 45(a))	**3.4**	**–**	**0.2**	**–**	**3.6**
Derecognition of goodwill upon disposal of an associate	**(9.7)**	**–**	**–**	**–**	**(9.7)**
Exchange adjustment	**4.1**	**–**	**1.9**	**–**	**6.0**
At 31 December 2016	**1,233.9**	**75.0**	**23.9**	**234.7**	**1,567.5**
Amortisation and Impairment					
At 1 January 2015	–	32.6	1.8	23.9	58.3
Amortisation for the year (Note 6)	–	8.7	2.5	26.4	37.6
Impairment losses (Note 8)	7.4	–	–	–	7.4
Exchange adjustment	–	–	0.5	–	0.5
At 31 December 2015 and 1 January 2016	**7.4**	**41.3**	**4.8**	**50.3**	**103.8**
Amortisation for the year (Note 6)	**–**	**8.7**	**2.7**	**11.8**	**23.2**
Impairment losses (Note 8)	**4.5**	**–**	**–**	**–**	**4.5**
Exchange adjustment	**–**	**–**	**0.8**	**–**	**0.8**
At 31 December 2016	**11.9**	**50.0**	**8.3**	**62.1**	**132.3**
Net carrying amount					
At 31 December 2016	**1,222.0**	**25.0**	**15.6**	**172.6**	**1,435.2**
At 31 December 2015	1,228.7	33.7	17.0	126.9	1,406.3

Notes to the Financial Statements

24. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill

The carrying amount of goodwill allocated to the Heavy Industries Division is RM969.9 million (2015: RM969.9 million) with the remaining goodwill allocated to 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 12.5% to 15.1% (2015: 13.3% to 15.3%) and a terminal growth rate of 1% (2015: 2%) have been applied in the value in use calculations.

For the remaining goodwill, the recoverable amounts were determined based on fair value less costs of disposal (quoted price) and 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 losses recognised in profit or loss for the year was RM4.5 million (2015: RM7.4 million).

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.

(b) Rights to supply

During the current year, in view of the ongoing negotiations to finalise the terms and conditions for the extension of the concession to supply pharmaceutical products to the Government of Malaysia, the Group has revised the remaining estimated useful life of the expenses incurred for the rights to supply under the concession agreement from 4 years to 14 years. The revision has been accounted for as a change in accounting estimate and as a result, the amortisation charge for the financial year was reduced by RM23.4 milllion.

25. INVENTORIES

	Group	
	2016 RM Million	**2015 RM Million**
Raw materials and work in progress	**176.8**	128.4
Goods for resale	**585.2**	572.4
Estate produce	**11.2**	30.0
Completed properties	**53.1**	41.5
Consumable stores	**37.6**	40.5
	863.9	812.8

During the year, the amount of inventories recognised as an expense of the Group amounted to RM5,063.0 million (2015: RM5,101.1 million).

Notes to the Financial Statements

26. PROPERTY DEVELOPMENT IN PROGRESS

	Group	
	2016 RM Million	**2015 RM Million**
At 1 January		
– Long leasehold land, at cost	**9.9**	12.4
– Development cost	**340.7**	314.6
	350.6	327.0
Cost recognised in profit or loss		
– At 1 January	**(251.5)**	(163.3)
– Recognised during the year	**(277.7)**	(258.4)
– Reversal of completed projects	**360.7**	170.2
	(168.5)	(251.5)
Transfer from/(to)		
– Development properties (Note 16)	**138.7**	54.1
– Inventories	**(33.6)**	(44.0)
– Reversal of completed projects	**(360.7)**	(170.2)
	(255.6)	(160.1)
Development cost incurred during the year	**106.1**	183.7
At 31 December	**32.6**	99.1
Interest cost capitalised during the year (Note 9)	**6.1**	8.0

Notes to the Financial Statements

27. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2016 RM Million	**2015 RM Million**
Ship repair and shipbuilding		
Aggregate cost incurred and recognised profit less recognised losses to date	**7,117.1**	6,240.1
Progress billings	**(6,412.4)**	(5,140.0)
	704.7	1,100.1
Presented as follows:		
Due from customers on contracts	**831.8**	1,216.1
Due to customers on contracts	**(127.1)**	(116.0)
	704.7	1,100.1

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

	Group	
	2016 RM Million	**2015 RM Million**
Depreciation of property, plant and equipment (Note 13)	**9.6**	7.6
Interest expense (Note 9)	**91.8**	89.6
Operating leases:		
– Minimum lease payments for plant and equipment	**1.2**	4.6
– Minimum lease payments for land and buildings	**4.1**	4.3
Staff cost	**13.7**	21.4

Amount of contract revenue and contract cost recognised in profit or loss are as follows:		
Contract revenue	**811.8**	1,104.3
Contract cost	**604.2**	1,060.9

Notes to the Financial Statements

28. RECEIVABLES

	Group		Company	
	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
Non-current				
Amounts due from Subsidiaries	**–**	–	**738.9**	–
Current				
Trade receivables	**1,022.6**	948.2	**–**	–
Allowance for impairment	**(63.3)**	(60.8)	**–**	–
	959.3	887.4	**–**	–
Dividends receivable	**–**	–	**–**	53.9
Deposits	**71.4**	65.0	**–**	–
Prepayments	**55.4**	51.1	**0.2**	0.5
Income tax receivable	**36.8**	65.4	**11.1**	9.6
Advances paid to suppliers	**20.9**	48.6	**–**	–
Other receivables	**214.4**	98.6	**13.4**	16.3
Derivative assets (Note 40)	**1.4**	0.2	**–**	–
Amount due from holding corporation	**0.8**	3.4	**–**	–
Amounts due from Subsidiaries	**–**	–	**751.1**	1,002.1
Amounts due from associates	**8.6**	123.8	**1.6**	1.6
Amounts due from joint ventures	**240.3**	37.2	**45.1**	10.2
Amounts due from other related companies	**8.3**	1.9	**–**	–
	1,617.6	1,382.6	**822.5**	1,094.2

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 6.0% (2015: 6.4%) per annum and are repayable on demand. Amounts due from Subsidiaries that are not expected to be realised within twelve months after the reporting period are classified as non-current. Amounts due from joint ventures of RM187.9 million (2015: RM10.2 million) and RM45.1 million (2015: RM10.2 million) for the Group and the Company respectively are unsecured, bear interest at a weighted average rate of 6.0% (2015: 6.0%) per annum and are repayable on demand. The other amounts 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.

Other receivables are stated at net of impairment of RM14.3 million (2015: Nil) and RM3.4 million (2015: Nil) for the Group and the Company respectively. During the year, allowance for impairment of RM14.3 million (2015: Nil) and RM3.4 million (2015: Nil) for the Group and the Company respectively had been recognised in profit or loss, as disclosed in Note 6 to the financial statements.

Amounts due from Subsidiaries are stated at net of impairment of RM22.1 million (2015: RM31.5 million). During the year, a reversal of impairment loss of RM9.4 million had been recognised in profit or loss, as disclosed in Note 6 to the financial statements.

Notes to the Financial Statements

28. RECEIVABLES (CONT'D.)

Ageing analysis of trade receivables

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

	Group	
	2016 RM Million	**2015 RM Million**
Neither past due nor impaired	**555.3**	446.7
Past due but not impaired		
– Less than 30 days	**204.5**	197.3
– 31 to 60 days	**47.6**	64.9
– 61 to 90 days	**29.4**	27.8
– 91 to 120 days	**18.3**	54.4
– More than 120 days	**86.4**	94.8
	386.2	439.2
Impaired	**81.1**	62.3
	1,022.6	948.2

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 83% (2015: 86%) 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 RM386.2 million (2015: RM439.2 million) that are past due at the reporting date but not impaired. These relate to a number of external parties where there is no expectation of default based on historical dealings.

In addition, trade receivables due from Government of Malaysia and related agencies amounted to RM92.0 million (2015: RM79.0 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:

	Collectively impaired RM Million	Individually impaired RM Million	Total RM Million
Group – 2016			
Trade receivables – nominal	**0.7**	**80.4**	**81.1**
Allowance for impairment	**(0.7)**	**(62.6)**	**(63.3)**
	–	**17.8**	**17.8**
Group – 2015			
Trade receivables – nominal	0.6	61.7	62.3
Allowance for impairment	(0.6)	(60.2)	(60.8)
	–	1.5	1.5

Movement in allowance accounts:

	Group	
	2016 RM Million	**2015 RM Million**
At 1 January	**60.8**	51.8
Impairment losses (Note 6)	**12.2**	21.0
Reversal of impairment losses (Note 6)	**(5.9)**	(12.2)
Written off	**(4.0)**	–
Exchange adjustment	**0.2**	0.2
At 31 December	**63.3**	60.8

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

Notes to the Financial Statements

29. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Deposits with financial institutions	**697.3**	932.9	**1.5**	1.5
Cash held under Housing Development Accounts	**119.8**	40.0	**–**	–
Cash and bank balances	**900.5**	365.2	**139.9**	64.4
	1,717.6	1,338.1	**141.4**	65.9

The average maturity periods of the Group's fixed deposits with financial institutions are 24 days (2015: 22 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 RM371.9 million (2015: RM594.4 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(a) classified as held for sale on the consolidated statements of financial position as at 31 December 2016 are as follows:

	Group	
	2016 RM Million	**2015 RM Million**
Property, plant and equipment (Note 13)	**50.0**	105.4
Biological assets (Note 14)	**10.1**	0.4
	60.1	105.8

Notes to the Financial Statements

31. SHARE CAPITAL

	2016		2015	
	Million	**RM Million**	**Million**	**RM Million**
Ordinary shares of RM0.50 each				
Authorised				
As at 1 January	**2,000**	**1,000**	2,000	1,000
Increase during the year	**2,000**	**1,000**	-	-
As at 31 December	**4,000**	**2,000**	2,000	1,000
Issued and fully paid				
At 1 January	**1,034.2**	**517.1**	1,034.2	517.1
Rights issue during the year	**413.7**	**206.8**	-	-
Bonus issue during the year	**579.1**	**289.6**	-	-
At 31 December	**2,027.0**	**1,013.5**	1,034.2	517.1

During the year, the Company's issued and paid up share capital was increased from RM517.1 million to RM1,013.5 million through the issuance of 992,809,944 ordinary shares of RM0.50 each comprising rights issue of 413,671,221 ordinary shares of RM0.50 each for cash at RM2.55 per share on the basis of 2 right shares for every 5 existing shares and the bonus issue of 579,138,723 ordinary shares of RM0.50 each on the basis of 2 bonus shares for every 5 shares held after the completion of the rights issue.

The new shares issued during the financial year rank pari passu with the existing ordinary shares of the Company.

Notes to the Financial Statements

32. RESERVES

	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
	← Non-distributable			→		
Group						
At 1 January 2016	1,165.1	54.2	387.3	437.6	1,981.3	4,025.5
Currency translation difference in respect of foreign operations	–	–	–	4.2	–	4.2
Net (loss)/gain on available for sale investments						
– Fair value changes	–	(1.0)	–	–	–	(1.0)
– Transfer to profit or loss on disposal	–	2.9	–	–	–	2.9
Share of other comprehensive income of investments accounted for using equity method	–	(1.8)	–	(2.3)	–	(4.1)
Total other comprehensive income for the year	–	0.1	–	1.9	–	2.0
Profit for the year	–	–	–	–	369.0	369.0
Total comprehensive income for the year	–	0.1	–	1.9	369.0	371.0
Transactions with owners						
Share capital						
– Rights issue	846.7	–	–	–	–	846.7
– Bonus issue	(289.6)	–	–	–	–	(289.6)
Changes in ownership interest in Subsidiaries						
– Additional investment in a Subsidiary	–	–	–	–	(4.8)	(4.8)
– Issue of shares by a Subsidiary	–	–	–	–	(0.4)	(0.4)
Transfer during the year	–	–	38.5	–	(38.5)	–
Dividends (Note 12)	–	–	–	–	(275.6)	(275.6)
At 31 December 2016	1,722.2	54.3	425.8	439.5	2,031.0	4,672.8

Notes to the Financial Statements

32. RESERVES (CONT'D.)

	Non-distributable					
	Share premium RM Million	Revaluation and fair value reserves RM Million	Statutory and regulatory reserves RM Million	Other reserves RM Million	Retained earnings RM Million	Total RM Million
Group						
At 1 January 2015	1,165.1	49.0	341.7	434.7	2,231.5	4,222.0
Currency translation difference in respect of foreign operations	–	–	–	5.0	–	5.0
Net (loss)/gain on available for sale investments						
– Fair value changes	–	(4.8)	–	–	–	(4.8)
– Transfer to profit or loss on disposal	–	3.7	–	–	–	3.7
Share of other comprehensive income of investments accounted for using equity method	–	6.3	–	(2.1)	–	4.2
Total other comprehensive income for the year	–	5.2	–	2.9	–	8.1
Profit for the year	–	–	–	–	13.2	13.2
Total comprehensive income for the year	–	5.2	–	2.9	13.2	21.3
Transactions with owners						
Issuance cost of Perpetual Sukuk	–	–	–	–	(0.7)	(0.7)
Transfer during the year	–	–	45.6	–	(45.6)	–
Dividends (Note 12)	–	–	–	–	(217.1)	(217.1)
At 31 December 2015	1,165.1	54.2	387.3	437.6	1,981.3	4,025.5

Notes to the Financial Statements

32. RESERVES (CONT'D.)

	Non-Distributable			
	Share premium RM Million	**Fair value Reserve RM Million**	**Retained earning RM Million**	**Total RM Million**
Company				
At 1 January 2015	1,165.1	1.7	141.7	1,308.5
Profit for the year	–	–	120.1	120.1
Other comprehensive loss				
– Fair value changes	–	(0.4)	–	(0.4)
Total comprehensive income for the year	–	(0.4)	120.1	119.7
Transactions with owners				
Perpetual Sukuk (Note 33)				
– Issuance	–	–	(0.7)	(0.7)
Dividends (Note 12)	–	–	(217.1)	(217.1)
At 31 December 2015 and 1 January 2016	**1,165.1**	**1.3**	**44.0**	**1,210.4**
Profit for the year	**–**	**–**	**287.0**	**287.0**
Other comprehensive income				
– Fair value changes	**–**	**0.2**	**–**	**0.2**
Total comprehensive income for the year	**–**	**0.2**	**287.0**	**287.2**
Transactions with owners				
Share capital (Note 31)				
– Right issue	**846.7**	**–**	**–**	**846.7**
– Bonus issue	**(289.6)**	**–**	**–**	**(289.6)**
Dividends (Note 12)	**–**	**–**	**(275.6)**	**(275.6)**
At 31 December 2016	**1,722.2**	**1.5**	**55.4**	**1,779.1**

Notes to the Financial Statements

32. RESERVES (CONT'D.)

Non-distributable reserves

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

	Group	
	2016 RM Million	**2015 RM Million**
Revaluation reserve	**41.6**	41.6
Fair value reserve	**12.7**	12.6
	54.3	54.2

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, 2013.

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.

Notes to the Financial Statements

33. PERPETUAL SUKUK

The Perpetual Sukuk was issued pursuant to the Junior Islamic Medium Term Note Programme of up to RM1.2 billion in nominal value which was approved by the Securities Commission Malaysia on 15 November 2013. The Perpetual Sukuk is accounted as equity as there is no contractual obligation to redeem the instrument.

At year end, total Perpetual Sukuk in issue stood at RM1,200.0 million (2015: RM1,200.0 million).

The salient features of the Perpetual Sukuk are as follows:

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

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

(c) The Company also has the option to redeem the Perpetual Sukuk under the following circumstances:
   (i) Accounting event – change in accounting standards resulting Perpetual Sukuk no longer being recognised as an equity instrument;
   (ii) Change in control – change in the shareholding of the Company which resulted in LTAT, its major shareholder, to hold less than the agreed percentage of interest in the Company;
   (iii) Leverage event – the finance to equity ratio of the Company has exceeded the agreed amount;
   (iv) Privatisation event – the shares of the Company are no longer listed on Bursa Malaysia Securities Berhad; and
   (v) Tax event – if the Company is and will become obliged to pay additional amount due to changes in tax laws or regulations.

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

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

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

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

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

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

Notes to the Financial Statements

34. BORROWINGS

	Group		Company	
	2016 RM Million	2015 RM Million	2016 RM Million	2015 RM Million
Non-current				
Term loans				
– Denominated in US Dollar	**137.3**	61.1	**80.3**	–
– Denominated in Indonesian Rupiah	**116.6**	80.4	**–**	–
– Denominated in Great Britain Pound	**68.7**	82.0	**–**	–
– Denominated in Malaysian Ringgit	**845.9**	1,068.4	**–**	–
	1,168.5	1,291.9	**80.3**	–
Bank guaranteed medium term notes	**763.7**	922.8	**763.7**	922.8
Asset-backed bonds	**758.2**	757.6	**–**	–
	2,690.4	2,972.3	**844.0**	922.8
Repayable in 1 year	**(1,249.8)**	(796.7)	**(844.0)**	(409.1)
	1,440.6	2,175.6	**–**	513.7
Current				
Overdrafts	**24.7**	59.6	**8.6**	27.9
Bankers' acceptances				
– Denominated in Indonesian Rupiah	**11.1**	4.3	**–**	–
– Denominated in Malaysian Ringgit	**363.5**	144.4	**–**	–
Revolving credits				
– Denominated in US Dollar	**–**	48.9	**–**	–
– Denominated in Malaysian Ringgit	**4,227.0**	4,804.4	**1,360.0**	1,405.0
Short term loans	**1,249.8**	796.7	**844.0**	409.1
	5,876.1	5,858.3	**2,212.6**	1,842.0
Total borrowings	**7,316.7**	8,033.9	**2,212.6**	2,355.7

The bank guaranteed medium term notes (MTN) comprise five series with maturity dates ranging between 1 to 2 years from the date of issue. The MTN which are repayable on maturity, have a long term rating of AAA(bg) and bear interest at the weighted average effective interest rate of 5.9% (2015: 5.8%) per annum. The MTN have been accounted for in the statements of financial position of the Group and of the Company as follows:

	Group/Company	
	2016 RM Million	2015 RM Million
Nominal value	**922.0**	922.0
Accrued interest and transaction cost less payments and amortisation	**1.7**	0.8
Repayment during the year	**(160.0)**	–
Carrying amount	**763.7**	922.8

Notes to the Financial Statements

34. BORROWINGS (CONT'D.)

The asset-backed bonds (Bonds) comprise 3 classes (2015: 3 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 (2015: 6 years to 7 years) with the effective interest rate of 5.5% (2015: 5.5%) per annum. The senior bonds are secured by a debenture over the assets of the Subsidiary, a special purpose vehicle created for the Bonds issuance.

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

	Group	
	2016 RM Million	**2015 RM Million**
Nominal value	**760.0**	900.0
Accrued interest and transaction cost less payments and amortisation	**(1.8)**	(2.4)
Redemption during the year	**–**	(140.0)
Carrying amount	**758.2**	757.6

A Subsidiary has a term loan of RM391.9 million (2015: RM540.8 million) which is repayable within 4 years commencing from 27 April 2016. This Subsidiary also has revolving credits of RM1,289.5 million (2015: RM1,175.9 million) which are secured by way of an assignment on contract proceeds.

A Subsidiary has a term loan of RM142.5 million (2015: RM171.0 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 denominated in Great Britain Pound equivalent to RM68.7 million (2015: RM82.0 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 RM5,171.1 million (2015: RM5,494.1 million).

Notes to the Financial Statements

35. PAYABLES

	Group		Company	
	2016 RM Million	2015 RM Million	**2016 RM Million**	2015 RM Million
Non-current				
Deposits from tenants	**34.8**	31.4	**–**	–
Current				
Trade payables	**1,208.0**	1,228.3	**–**	–
Accrued interest	**36.8**	33.8	**5.6**	3.7
Accrued expenses	**202.4**	200.8	**–**	–
Deposits received	**82.8**	84.9	**1.7**	1.8
Retention sum	**6.1**	5.3	**–**	–
Other payables	**219.6**	243.0	**9.7**	7.6
Amount due to holding corporation	**0.1**	3.0	**–**	–
Amounts due to Subsidiaries	**–**	–	**5.2**	57.1
Amounts due to associates	**3.9**	29.6	**–**	–
Amounts due to joint ventures	**38.1**	64.7	**–**	–
Amounts due to other related companies	**1.9**	0.1	**–**	–
	1,799.7	1,893.5	**22.2**	70.2

Trade payables
These amounts are non-interest bearing, with normal credit terms ranging from 30 to 90 days (2015: 30 to 90 days).

Amounts due to Subsidiaries
These amounts are unsecured, bear interest at a weighted average rate of 3.3% (2015: 5.4%) per annum and are 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:

	Group	
	2016 RM Million	**2015 RM Million**
Within 1 year	**9.7**	11.2
Later than 1 year but not later than 5 years	**10.5**	7.1
Later than 5 years	**9.2**	10.3
	29.4	28.6

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:

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Within 1 year	**84.0**	80.7	**5.0**	5.9
Later than 1 year but not later than 5 years	**60.1**	65.0	**3.6**	4.5
	144.1	145.7	**8.6**	10.4

Notes to the Financial Statements

37. SEGMENTAL INFORMATION

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

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

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

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

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

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

(f) Trading & Industrial Division
The Division is engaged in the owning and operating of the BHPetrol brand of retail petrol station network and the manufacture and trading of building materials.

Transfer pricing between operating segments are on arm's length basis. Inter-segment revenue which represents rental charge of office premises and trading of the Group's manufactured goods are eliminated on consolidation. The Group practises central fund management where surplus funds within the Group are 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 43 (b).

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

Notes to the Financial Statements

37. SEGMENTAL INFORMATION (CONT'D.)

	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma-ceutical RM Million	Trading & Industrial RM Million	Elimination RM Million	Total RM Million
2016								
Revenue								
Group total sales	707.9	994.0	685.9	196.2	2,189.0	3,614.0	(15.7)	8,371.3
Inter-segment sales	–	–	(15.7)	–	–	–	15.7	–
External sales	707.9	994.0	670.2	196.2	2,189.0	3,614.0	–	8,371.3
Results								
Segment result								
– External	143.5	(57.4)	127.0	(7.6)	96.0	160.4	–	461.9
Gain on disposal of plantation land	124.2	–	–	–	–	–	–	124.2
Interest income	14.2	6.1	15.3	87.0	1.1	2.3	(82.2)	43.8
Other investment results	32.9	–	239.4	2.0	–	2.7	–	277.0
Finance cost	(42.1)	(89.9)	(74.6)	(104.8)	(45.2)	(19.2)	82.2	(293.6)
Share of results of associates	3.4	–	–	118.5	–	1.2	–	123.1
Share of results of joint ventures	–	21.2	16.4	(33.6)	–	–	–	4.0
Profit/(loss) before taxation	276.1	(120.0)	323.5	61.5	51.9	147.4	–	740.4
Taxation								(151.3)
Profit for the year								589.1
Other information								
Depreciation and amortisation	(43.2)	(92.2)	(23.1)	(21.7)	(54.6)	(62.4)	–	(297.2)
Gain/(loss) on disposal of								
– Subsidiary	33.4	–	–	–	–	–	–	33.4
– Associate	–	–	209.6	–	–	–	–	209.6
– Other assets	(0.1)	(3.3)	10.5	–	–	35.4	–	42.5
Other non-cash (expenses)/income	(13.5)	(49.0)	15.5	(5.2)	(7.7)	10.7	–	(49.2)

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
2015								
Revenue								
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
Results								
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 results	–	(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 results of associates	1.8	–	(7.5)	71.9	–	–	–	66.2
Share of results of joint ventures	–	22.3	(3.7)	–	–	–	–	18.6
Profit/(loss) before taxation	95.1	(136.8)	138.8	44.2	90.2	37.7	–	269.2
Taxation								(129.8)
Profit for the year								139.4
Other information								
Depreciation and amortisation	(42.5)	(99.0)	(22.9)	(20.4)	(65.7)	(57.8)	–	(308.3)
Gain/(loss) on disposal of other assets	1.7	–	(0.5)	–	–	0.6	–	1.8
Other non-cash (expenses)/income	(10.0)	(45.4)	80.1	9.0	(0.7)	24.9	–	57.9

Notes to the Financial Statements

38. CONTINGENT LIABILITIES

(a) On 4 September 2012, the Group's Subsidiary Boustead Naval Shipyard Sdn Bhd (BN Shipyard) was served with a Writ of Summons by Ingat Kawan (M) Sdn Bhd (Plaintiff). The Plaintiff was claiming against BN Shipyard for unspecified general damages, special damages of RM50 million, interest at 10% per annum on the said amount of RM50 million calculated from 7 September 2011 until full settlement, interest at 8% per annum on the said amount of RM50 million calculated from the date of filing the Writ of Summons until full settlement, costs and other reliefs that the Court deems fit, arising from an alleged breach of contract by BN Shipyard. On 11 September 2012, BN Shipyard filed its defence and counterclaims and sought to add 5 parties as co-defendants in the said counterclaims. On 30 November 2012, the Court dismissed the Plaintiff's objections to BN Shipyard's addition of the 5 co-defendants.

On 14 March 2013, the High Court allowed with cost BN Shipyard's application to strike out the Plaintiff's claims. Thus, on 1 April 2013, BN Shipyard withdrew its counterclaims against the Plaintiff, but with liberty to file afresh. On 22 March 2013, the Plaintiff filed a Notice of Appeal to the Court of Appeal. On 11 November 2013, the Court of Appeal allowed the Plaintiff's appeal and ordered the case to be tried at the High Court. On 10 December 2013, BN Shipyard filed a Notice of Motion for the leave to appeal to the Federal Court.

On 13 July 2016, the Federal Court granted BN Shipyard a leave to appeal to the Federal Court against the 11 November 2013 decision of the Court of Appeal that the case be tried at the High Court. The Federal Court also allowed six leave questions and ordered that cost be in the cause.

Hearing of appeal at the Federal Court on 5 December 2016 was adjourned as the Plaintiff's solicitor has filed a Notice of Motion to discharge themselves as solicitor on 1 December 2016. The Court has fixed 21 March 2017 for hearing of the discharge application, 24 April 2017 for case management and 25 May 2017 for hearing of BN Shipyard's appeal against the decision of the Court of Appeal that the case be tried at the High Court.

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

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

	Group	
	2016 RM Million	**2015 RM Million**
Performance bonds in respect of contracts awarded to Subsidiaries		
– Government of Malaysia	**666.9**	641.2
– Other third parties	**80.8**	83.4
	747.7	724.6

Notes to the Financial Statements

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
Group							
At 31 December 2016							
Fixed rate							
Financial assets:							
Deposits	29	**3.2**	**697.3**	**–**	**–**	**–**	**697.3**
Financial liabilities:							
Term loans	34	**6.1**	**(184.4)**	**(66.5)**	**–**	**–**	**(250.9)**
Bank guaranteed medium term notes	34	**5.9**	**(763.7)**	**–**	**–**	**–**	**(763.7)**
Asset-backed bonds	34	**5.5**	**–**	**–**	**(758.2)**	**–**	**(758.2)**
Floating rate							
Financial assets:							
Amounts due from joint ventures	28	**6.0**	**187.9**	**–**	**–**	**–**	**187.9**
Financial liabilities:							
Terms loans	34	**5.3**	**(301.7)**	**(248.0)**	**(347.3)**	**(20.6)**	**(917.6)**
Overdrafts	34	**6.6**	**(24.7)**	**–**	**–**	**–**	**(24.7)**
Revolving credits	34	**4.8**	**(4,227.0)**	**–**	**–**	**–**	**(4,227.0)**
Bankers' acceptances	34	**4.2**	**(374.6)**	**–**	**–**	**–**	**(374.6)**
At 31 December 2015							
Fixed rate							
Financial assets:							
Deposits	29	3.0	932.9	–	–	–	932.9
Financial liabilities:							
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)
Floating rate							
Financial assets:							
Amounts due from associates	28	7.0	119.3	–	–	–	119.3
Amounts due from joint ventures	28	6.0	10.2	–	–	–	10.2
Financial liabilities:							
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)

Notes to the Financial Statements

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

Interest rate risk (cont'd.)

	Note	WAEIR %	1 year or less RM Million	More than 1 year RM Million	Total RM Million
Company					
At 31 December 2016					
Fixed rate					
Financial assets:					
Deposits	29	**3.2**	**1.5**	**–**	**1.5**
Financial liabilities:					
Term loans	34	**5.0**	**(80.3)**	**–**	**(80.3)**
Bank guaranteed medium term notes	34	**5.9**	**(763.7)**	**–**	**(763.7)**
Floating rate					
Financial assets:					
Amounts due from Subsidiaries	28	**6.0**	**751.1**	**738.9**	**1,490.0**
Amounts due from joint ventures	28	**6.0**	**45.1**	**–**	**45.1**
Financial liabilities:					
Overdrafts	34	**7.8**	**(8.6)**	**–**	**(8.6)**
Revolving credits	34	**4.6**	**(1,360.0)**	**–**	**(1,360.0)**
Amounts due to Subsidiaries	35	**3.3**	**(5.2)**	**–**	**(5.2)**
At 31 December 2015					
Fixed rate					
Financial assets:					
Deposits	29	3.2	1.5	–	1.5
Financial liabilities:					
Bank guaranteed medium term notes	34	5.8	(409.1)	(513.7)	(922.8)
Floating rate					
Financial assets:					
Amounts due from Subsidiaries	28	6.4	1,002.1	–	1,002.1
Amounts due from joint ventures	28	6.0	10.2	–	10.2
Financial liabilities:					
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)

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 RM21.1 million and RM5.2 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate fixed deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

Liquidity risk

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

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

	Note	On demand or within 1 year RM Million	1 to 5 years RM Million	More than 5 years RM Million	Total RM Million
Group					
2016					
Borrowings	34	**6,171.3**	**1,494.8**	**21.7**	**7,687.8**
Trade and other payables	35	**1,799.7**	**34.8**	**–**	**1,834.5**
Total undiscounted financial liabilities		**7,971.0**	**1,529.6**	**21.7**	**9,522.3**
2015					
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

Notes to the Financial Statements

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

Liquidity risk (cont'd.)

	Note	On demand or within 1 year RM Million	1 to 5 years RM Million	Total RM Million
Company				
2016				
Borrowings	34	**2,324.5**	**–**	**2,324.5**
Trade and other payables	35	**22.2**	**–**	**22.2**
Total undiscounted financial liabilities		**2,346.7**	**–**	**2,346.7**
2015				
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

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 2016, the Group has a significant concentration of credit risk in the form of outstanding balance due from the Government of Malaysia, representing approximately 27.5% (2015: 20.3%) of the Group's total net trade receivables.

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

Information regarding financial assets that neither past due nor impaired is disclosed in Note 28.

Foreign currency risk

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

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
Group					
At 31 December 2016					
US Dollar	**0.8**	**8.3**	**(13.0)**	**(57.0)**	**(60.9)**
Euro	**7.1**	**–**	**(108.4)**	**–**	**(101.3)**
Great Britain Pound	**5.4**	**89.5**	**(76.2)**	**(68.7)**	**(50.0)**
Others	**0.2**	**0.9**	**(0.3)**	**(0.1)**	**0.7**
	13.5	**98.7**	**(197.9)**	**(125.8)**	**(211.5)**
At 31 December 2015					
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)
	141.8	107.9	(213.3)	(192.2)	(155.8)

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

	Group	
	2016 RM Million	**2015 RM Million**
(Decrease)/increase of Group's profit, net of tax		
US Dollar/RM		
– Strengthened by 5%	**(2.3)**	(5.8)
– Weakened by 5%	**2.3**	5.8
Euro/RM		
– Strengthened by 5%	**(3.8)**	3.0
– Weakened by 5%	**3.8**	(3.0)
Great Britain Pound/RM		
– Strengthened by 5%	**(1.9)**	(3.0)
– Weakened by 5%	**1.9**	3.0

Notes to the Financial Statements

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

Market price risk

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

Financial instruments by category

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Financial assets - loans and receivables				
Receivables	**1,503.1**	1,217.3	**1,550.1**	1,084.1
Deposit, cash and bank balances	**1,717.6**	1,338.1	**141.4**	65.9
Financial liabilities - liabilities at amortised cost				
Payables	**1,834.5**	1,924.9	**22.2**	70.2
Dividend payable	**–**	62.0	**–**	62.0
Borrowings	**7,316.7**	8,033.9	**2,212.6**	2,355.7

Notes to the Financial Statements

40. FAIR VALUE MEASUREMENTS

Determination of fair value

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

40. FAIR VALUE MEASUREMENTS (CONT'D.)

Fair value hierarchy

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

	Level 1 RM Million	Level 2 RM Million	Level 3 RM Million	Total RM Million
Group				
2016				
Assets				
Investments	**32.1**	**–**	**–**	**32.1**
Investment properties	**–**	**–**	**1,513.6**	**1,513.6**
Forward currency contracts	**–**	**1.4**	**–**	**1.4**
	32.1	**1.4**	**1,513.6**	**1.547.1**
2015				
Assets				
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
Company				
2016				
Assets				
Investments	**5.4**	**–**	**–**	**5.4**
Investment properties	**–**	**–**	**107.0**	**107.0**
	5.4	**–**	**107.0**	**112.4**
2015				
Assets				
Investments	5.2	–	–	5.2
Investment properties	–	–	100.8	100.8
	5.2	–	100.8	106.0

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

	2016		2015	
	Contract/ notional amount RM Million	**Fair value of derivatives RM Million**	**Contract/ notional amount RM Million**	**Fair value of derivatives RM Million**
Group				
Current				
Derivative assets (Note 28)				
Forward currency contracts	**264.0**	**1.4**	116.9	0.2

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 RM9.1 million (2015: RM34.6 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

	2016		2015	
	Carrying amount RM Million	**Fair value of borrowings RM Million**	**Carrying amount RM Million**	**Fair value of borrowings RM Million**
Group				
Non-current borrowings (Note 34)				
Term loans	**682.4**	**682.4**	904.3	904.3
Bank guaranteed medium term notes	**–**	**–**	513.7	502.3
Asset-backed bonds	**758.2**	**755.3**	757.6	752.0
	1,440.6	**1,437.7**	2,175.6	2,158.6
Company				
Non-current borrowings (Note 34)				
Bank guaranteed medium term notes	**–**	**–**	513.7	502.3

Notes to the Financial Statements

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 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 34) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 34) over total equity comprising shareholders' equity, perpetual sukuk and non-controlling interests is 0.86 times (2015: 1.09 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	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Authorised and contracted				
Capital expenditure	**297.5**	258.5	**1.8**	–
Share of joint venture's capital commitment in relation to investment properties	**66.9**	326.1	**–**	–
	364.4	584.6	**1.8**	–
Authorised but not contracted				
Capital expenditure	**304.2**	784.9	**2.3**	4.8
Proposed acquisition of a Subsidiary	**–**	3.5	**–**	–
Share of joint venture's capital commitment in relation to capital expenditure	**20.3**	–	**–**	–
	324.5	788.4	**2.3**	4.8

Notes to the Financial Statements

43. SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

Notes to the Financial Statements

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

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

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Associates and joint ventures				
Agricultural research and advisory services paid	**13.8**	13.9	**–**	–
Insurance premium paid	**17.5**	24.1	**–**	–
Rental income on office premises	**19.3**	20.4	**–**	–
Sales of goods	**1.4**	0.2	**–**	–
Purchase of services	**0.6**	–	**–**	–
Professional fees paid	**1.4**	1.5	**0.9**	1.4
Insurance commission received	**3.9**	3.8	**–**	–
Rendering of services	**106.6**	62.8	**–**	–
Provision of project management services	**0.5**	0.5	**–**	–
Rental expense				
– Hotel	**12.2**	12.4	**–**	–
– Office premises	**0.8**	0.7	**–**	–
Holding corporation				
Provision of project management services	**1.1**	1.2	**–**	–
Subsidiaries of holding corporation				
Sales of goods	**45.7**	43.6	**–**	–
Provision of project management services	**0.5**	–	**–**	–
Provision of construction works	**35.1**	–	**–**	–
Firms in which Directors have a substantial interest				
Legal and professional fees paid	**8.4**	9.7	**–**	–
Government-related financial institutions				
Interest income	**16.2**	13.0	**3.3**	0.4
Finance cost	**252.4**	288.6	**76.4**	80.4
Government-related entity				
Air transportation and flight services	**60.4**	111.8	**–**	–

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:

	Group		Company	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Directors				
Fees	**1.3**	1.2	**0.5**	0.5
Salaries and other emoluments	**4.2**	4.6	**2.7**	3.0
Defined contribution plans	**0.7**	0.7	**0.4**	0.4
Meeting allowances	**0.1**	0.1	**0.1**	–
Estimated monetary value of benefits-in-kind	**0.8**	0.7	**0.7**	0.6
	7.1	7.3	**4.4**	4.5
Other key management personnel				
Short term employee benefits	**54.6**	51.5	**6.3**	6.4
Defined contribution plans	**6.4**	6.4	**1.0**	1.0
	61.0	57.9	**7.3**	7.4
Total paid to key management personnel	**68.1**	65.2	**11.7**	11.9

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

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

(a) On 7 September 2013, 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 2016 amounted to RM8 million (2015: RM16 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 2016 amounted to RM501 million (2015: RM844 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) at a contract sum of RM704 million. During the year, no revenue was recognised from the contract (2015: RM39 million).

Notes to the Financial Statements

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

(b) On 16 March 2011, a Subsidiary entered into a concession agreement with the Government of Malaysia represented by the Ministry of Health Malaysia (MOH) for a period of ten years expiring on 30 November 2019 for the right and authority to purchase, store, supply and distribute Approved Products (drugs and non-drugs approved by MOH) to the Public Sector Customers such as government hospital, health office, health clinic, dental clinic or any health institution or other similar facility within Malaysia which is operated and controlled by MOH and as determined by MOH from time to time. The aggregate revenue recognised for the year amounted to RM1,380 million (2015: RM1,516 million).

In 2015, the Subsidiary entered into Supply Agreements with three teaching hospitals under Ministry of Higher Education (MOHE), namely Universiti Sains Malaysia, Universiti Kebangsaan Malaysia and University Malaya for the services of purchasing, storing, supplying and delivering to drugs and non-drugs. The Supply Agreement shall expire on 30 November 2019. The aggregate revenue recognised for the year amounted to RM70 million (2015: RM74 million).

44. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) CIMB Islamic Trustee Berhad, acting solely in the capacity as a trustee for Boustead Plantations Berhad (BPB), had on 22 December 2016 entered into a sale and purchase agreement (SPA) with Setia Recreation Sdn Bhd for the proposed sale of 5 adjoining parcels of freehold land held under GM 59 Lot 1557, GM 966 Lot 1826, GRN 39095 Lot 1829, GRN 46378 Lot 2457 and GRN 35373 Lot 2466, all within Mukim 06, District of Seberang Perai Utara, Pulau Pinang measuring 677.78 hectares for a total cash consideration of RM620,122,555.80 (Proposed Sale), subject to the terms and conditions of the SPA.

The Proposed Sale is subject to the approval of BPB's shareholders at an extraordinary general meeting to be convened, as well as the approvals of the Estate Land Board and other relevant authorities.

(b) On 21 December 2016, Boustead Plantations Berhad entered into agreement to dispose of its entire stake in Boustead Sedili Sdn Bhd (Boustead Sedili) comprising 5,864,529 ordinary shares of RM1.00 each representing 76.1% of the equity interests of Boustead Sedili for a cash consideration of RM60.0 million.

The disposal was completed on 30 December 2016.

(c) On 19 December 2016, the Group's wholly owned Subsidiary, Boustead Construction Sdn Bhd (BCSB) entered into a sale and purchase agreement with Lembaga Tabung Angkatan Tentera, to purchase lands measuring 10.74 acres out of 53.39 acres held under PN 31560, Lot No. 37825, Mukim Petaling, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (collectively known as the Bukit Jalil Lands) for a total cash consideration of RM172,780,035.48 (Proposed Acquisition).

The Proposed Acquisition is conditional upon the approval of the relevant State Authority for the transfer of the Bukit Jalil Lands to BCSB.

Notes to the Financial Statements

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

(d) During the year, the Company's issued and paid up share capital was increased from RM517.1 million to RM1,013.5 million through the issuance of 992,809,944 ordinary shares of RM0.50 each comprising rights issue of 413,671,221 ordinary shares of RM0.50 each for cash at RM2.55 per share on the basis of 2 right shares for every 5 existing shares and the bonus issue of 579,138,723 ordinary shares of RM0.50 each on the basis of 2 bonus shares for every 5 shares held after the completion of the rights issue.

The new shares issued during the financial year rank pari passu with the existing ordinary shares of the Company.

(e) On 1 September 2016, the Group's Subsidiary MHS Aviation Berhad (MHS) issued a Notice of Arbitration against PETRONAS Carigali Sdn Bhd (PCSB) in connection with a contract dated 29 June 2011 made between MHS and PCSB for the Provision of Rotary Wing Aircraft, Equipment and Services (for Heavy Type Aircraft-EC225) (the Contract). In the Contract, MHS was engaged to provide PCSB with five (5) EC225 helicopters for use in PCSB's oil and gas exploration and production operations. Nevertheless, the use of all five helicopters was suspended by PCSB unilaterally following an incident that was unconnected to MHS and PCSB.

MHS views this suspension as a breach of contract by PCSB and is claiming in the Arbitration, among others, damages of RM42,760,810.68, general damages, declaration that PCSB is liable to pay MHS the Monthly Standby Rate and the Monthly Standing Charges during the suspension period, interest on the awarded sum, cost and any further sum in damages and other orders deemed fit by the Arbitral Tribunal appointed.

The Rules of the Kuala Lumpur Regional Centre For Arbitration apply to this Arbitration. The parties are in the midst of negotiations with the view of settling MHS's claims amicably.

(f) On 31 May 2016, the Group's wholly-owned Subsidiary Bakti Wira Sdn Bhd completed the disposal of its entire 30% stake in Jendela Hikmat Sdn Bhd (JHSB) comprising 12,600,000 ordinary shares of RM1.00 each in JHSB to Cascara Sdn Bhd for a cash consideration of RM180.0 million.

(g) Pursuant to the sale and purchase agreements entered into during the last financial year, the Group's Subsidiary, Boustead Plantations Berhad completed the following disposals during the financial year under review:

(i) Disposal of 57.0 Ha to Sanggul Suria Sdn Bhd for cash consideration of RM12.3 million.

(ii) Disposal of 102.1 Ha to Hanson Quarry Products (Segamat) Sdn Bhd for cash consideration of RM81.9 million.

(iii) Disposal of 71.1 Ha to YTL Cement Berhad for cash consideration of RM40.9 million.

(h) During the year, the Group's Subsidiary Boustead Petroleum Marketing Sdn Bhd disposed 5 parcels of land measuring 7,091 sq. meters for a total cash consideration of RM44.62 million pursuant to compulsory acquisitions by the Government of Malaysia.

Notes to the Financial Statements

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

(i) During the year, the Group's Subsidiary Pharmaniaga Berhad acquired 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 for a cash consideration of RM3.5 million.

(j) On 6 April 2016, the Group's Subsidiary Johan Ceramics Berhad disposed of its Property and Assets (including Trademark assignment) for a cash consideration of RM28.0 million.

(k) During the year, 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 disposed of three chemical tankers, MT CHULAN 1, MT CHULAN 2 and MT CHULAN 3 for the aggregate cash consideration of USD17.1 million.

45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of a Subsidiary

As disclosed in Note 44(i), Bio-Collagen Technologies Sdn Bhd became a Subsidiary during the current financial year. The fair value of the assets acquired and liabilities assumed upon the acquisition are as follows:

	Group
	2016 RM Million
Net assets acquired:	
Property, plant and equipment (Note 13)	**(0.6)**
Intangible assets (Note 24)	**(3.6)**
Current assets	**(0.1)**
Current liabilities	**0.7**
Deferred tax (Note 19)	**0.1**
Purchase consideration	**(3.5)**
Retention sum classified as other payables	**0.5**
Net cash outflow on acquisition	**(3.0)**

Notes to the Financial Statements

45. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONT'D.)

(b) Disposal of a Subsidiary

As disclosed in Note 44(b), the Group completed the disposal of Boustead Sedili Sdn Bhd during the current financial year. The effects on the financial position of the Group arising from the disposal are as follows:

	Group 2016 RM Million
Net assets disposed:	
Property, plant and equipment (Note 13)	**2.9**
Biological assets (Note 14)	**19.5**
Prepaid land lease payments (Note 17)	**5.5**
Current assets	**1.9**
Current liabilities	**(0.3)**
Deferred tax (Note 19)	**2.4**
Non controlling interest	**(5.4)**
Net assets disposed	**26.5**
Disposal expenses	**0.1**
Gain on disposal (Note 8)	**33.4**
Disposal proceeds	**60.0**
Cash and bank balances disposed	**–**
Net cash inflow on disposal	**60.0**

The above acquisition and disposal did not have a significant effect on the Group's performance and financial position for the year under review.

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	
	2016 RM Million	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Total retained earnings of the Company and Subsidiaries				
– Realised	**2,168.1**	2,191.2	**10.8**	1.2
– Unrealised	**479.4**	441.9	**44.6**	42.8
	2,647.5	2,633.1	**55.4**	44.0
Total share of retained earnings of associates and joint ventures				
– Realised	**920.5**	813.5	**–**	–
– Unrealised	**216.2**	183.8	**–**	–
	1,136.7	997.3	**–**	–
	3,784.2	3,630.4	**55.4**	44.0
Consolidation adjustments	**(1,753.2)**	(1,649.1)	**–**	–
	2,031.0	1,981.3	**55.4**	44.0

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 % 2016	Group interest % 2015
As at 31 December 2016				
SUBSIDIARIES				
Boustead Properties Berhad	Investment holding and property investment	RM500,000,000	**100**	100
Boustead Plantations Berhad	Investment holding and oil palm cultivation	RM800,000,000	**57**	57
Pharmaniaga Berhad**	Investment holding	RM129,688,597	**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, project management and property investment	RM1,000,000	**100**	100
MHS Aviation Berhad	Provision of air transportation, flight support, engineering and technical services	RM20,000,000	**51**	51
Boustead Segaria Sdn Bhd	Investment holding	RM18,000,520	**100**	100
Boustead Credit Sdn Bhd	Hire purchase and lease financing	RM15,000,000	**100**	100
Boustead Global Trade Network Sdn Bhd	Insurance agent	RM3,000,000	**100**	100
Boustead Weld Quay Sdn Bhd	Property investment and hotel operations	RM150,000,000	**100**	100
Boustead Travel Services Sdn Bhd	Travel agent	RM5,500,000	**100**	100
Boustead Construction Sdn Bhd	Project management, construction and property development	RM1,000,000	**100**	100
Mutiara Rini Sdn Bhd	Property developer	RM175,000,000	**100**	100

Name of company*	Principal activities	Paid-up capital	Group interest % 2016	% 2015
As at 31 December 2016				
U.K. Realty Sdn Bhd	Property development	RM40,000,000	**100**	100
Boustead Balau Sdn Bhd	Property developer	RM30,000,000	**100**	100
Boustead Curve Sdn Bhd	Property investment	RM150,000,000	**100**	100
Damansara Entertainment Centre Sdn Bhd	Property investment	RM60,000,000	**100**	100
Boustead Hotels & Resorts Sdn Bhd	Hotel operations	RM175,000,000	**100**	100
Boustead Realty Sdn Bhd	Property investment	RM100,000,000	**100**	100
Boustead Weld Court Sdn Bhd	Property investment	RM20,000,000	**100**	100
Nam Seng Bee Hoon Sdn Bhd	Property investment	RM70,000,000	**100**	100
Mecuro Properties Sdn Bhd	Property investment	RM2	**100**	100
Boustead Shipping Agencies Sdn Bhd	Shipping agent	RM5,000,000	**100**	100
Boustead Cruise Centre Sdn Bhd	Provision of port facilities and services to cruise and navy vessels	RM80,000,000	**100**	100
Boustead Ventures Limited[%]	Hotel operations	£1,000	**100**	100
Boustead Hyde Park Ltd[&]	Hotel operations	–	**100**	100
Boustead Building Materials Sdn Bhd	Building products distributor and project management	RM50,000,000	**100**	100
Boustead DCP Sdn Bhd	Produce and supply of chill water for air-conditioning	RM12,000,000	**100**	100
Bakti Wira Development Sdn Bhd	Investment holding	RM75,000	**100**	100
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	Operating hotels and resorts	RM10,000,000	**80**	80
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM154,960,000	**66**	66
Astacanggih Sdn Bhd	Investment holding	RM20,000,000	**80**	80

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest % 2016	Group interest % 2015
As at 31 December 2016				
SUBSIDIARIES (cont'd.)				
Cebur Megah Development Sdn Bhd	Investment holding	RM2	**80**	80
Boustead Rimba Nilai Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches (FFB)	RM100,000,000	**57**	57
Boustead Emastulin Sdn Bhd	Cultivation of oil palm and processing of FFB	RM17,000,000	**57**	57
Boustead Eldred Sdn Bhd	Cultivation of oil palm	RM15,000,000	**57**	57
Boustead Trunkline Sdn Bhd	Cultivation of oil palm	RM7,000,000	**57**	57
Boustead Gradient Sdn Bhd	Cultivation of oil palm and processing of FFB	RM3,000,000	**57**	57
Boustead Estates Agency Sdn Bhd	Plantation management, engineering consultancy and investment holding	RM1,050,000	**57**	57
Boustead Telok Sengat Sdn Bhd	Processing of FFB and investment holding	RM9,184,000	**57**	57
Boustead Solandra Sdn Bhd	Cultivation of oil palm	RM200,000	**57**	57
Boustead Pelita Kanowit Oil Mill Sdn Bhd	Operation of palm oil mill	RM30,000,000	**34**	34
Boustead Pelita Kanowit Sdn Bhd	Cultivation of oil palm	RM34,560,000	**34**	34
Boustead Pelita Tinjar Sdn Bhd	Cultivation of oil palm and processing of FFB	RM48,000,000	**34**	34
Pharmaniaga Manufacturing Berhad**	Manufacture of pharmaceutical products	RM10,000,000	**56**	56
Pharmaniaga Logistics Sdn Bhd**	Distribution of pharmaceutical and medical products	RM40,000,000	**56**	56
Pharmaniaga Marketing Sdn Bhd**	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

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest % 2016	Group interest % 2015
As at 31 December 2016				
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
Bio-Collagen Technologies Sdn Bhd**	Research and manufacture of collagen medical devices	RM2,000,000	**39**	–
PT Errita Pharma***+	Manufacture and sale of pharmaceutical products in Indonesia	Rp95,832,000,000	**48**	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
Boustead Penang Shipyard Sdn Bhd	Heavy engineering construction, ship repair and shipbuilding	RM350,000,000	**65**	65
Perstim Industries Sdn Bhd	Investment holding	RM51,155,724	**65**	65
BHIC Marine Carriers Sdn Bhd	Provision of engineering services for oil and gas industry	RM3,000,000	**65**	65
Dominion Defence & Industries Sdn Bhd	Supply and services of marine and defence related products	RM1,000,000	**65**	65
BHIC Defence Techservices Sdn Bhd	Provision of maintenance and services for defence related products	RM1,000,000	**65**	65

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest % 2016	Group interest % 2015
As at 31 December 2016				
SUBSIDIARIES (cont'd.)				
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
BHIC Allied Defence Technology Sdn Bhd	Supply of electronics and system technology to defence related industry	RM510,000	**65**	65
BHIC Trading Sdn Bhd	Property Investment	RM8,000,002	**65**	65
BHIC Submarine Engineering Services Sdn Bhd	Provision of maintenance and service of submarines	RM500,000	**65**	65
BHIC Marine Technology Academy Sdn Bhd	Provision of marine and defence management training	RM500,000	**65**	65
BHIC AeroTech Sdn Bhd	Provision of maintenance repair and overhaul of aircraft wheels and brakes	RM500,000	**65**	–
Boustead Langkawi Shipyard Sdn Bhd	Construction, repair and maintenance of boats and yachts	RM100,000,000	**82**	82
Boustead Petroleum Sdn Bhd	Investment holding	RM118,329,300	**60**	60
AB Shipping Sdn Bhd	Inactive	RM45,000	**100**	100
Boustead Idaman Sdn Bhd	Inactive	RM13,000,000	**100**	100
Boustead Management Services Sdn Bhd	Inactive	RM10,000	**100**	100
MHS Assets Sdn Bhd	Inactive	RM10,000,000	**51**	51

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest % 2016	Group interest % 2015
As at 31 December 2016				
Boustead Atlas Hall Sdn Bhd	Ceased operation	RM3,265,306	**51**	51
Bounty Crop Sdn Bhd	Ceased operation	RM70,200,000	**57**	57
Boustead Engineering Sdn Bhd	Ceased operation	RM8,000,000	**100**	100
Boustead Information Technology Sdn Bhd	Ceased operation	RM1,000,000	**100**	100
Boustead Sungai Manar Sdn Bhd	Ceased operation	RM4,500,000	**57**	57
Johan Ceramics Berhad	Ceased operation	RM84,898,510	**98**	98
UAC Steel Systems Sdn Bhd	Ceased operation	RM1,860,000	**100**	100
Boustead Sedili Sdn Bhd	Cultivation of oil palm	RM7,709,529	**–**	40
ASSOCIATES				
Pavilion Entertainment Centre (M) Sdn Bhd	Property development	RM3,000,000	**50**	50
Drew Ameroid (M) 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
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
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
Jendela Hikmat Sdn Bhd	Property development	RM42,000,000	**–**	30

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest % 2016	% 2015
As at 31 December 2016				
JOINT VENTURES				
Irat Properties Sdn Bhd	Property investment and operator of automated traffic enforcement system	RM234,741,784	**50**	50
Boustead Ikano Sdn Bhd	Property investment	RM400,000,000	**50**	50
BHIC MSM Sdn Bhd	Provision for maintenance and repair of MTU products	RM1,000,000	**39**	39
Boustead DCNS Naval Corporation Sdn Bhd	Vessel maintenance	RM10,000,000	**39**	39
Contraves Advanced Devices Sdn Bhd	Manufacture of electronic products	RM5,000,000	**33**	33
BYO Marine Sdn Bhd	Construction of vessels	RM500,000	**33**	33
BHIC Bofors Asia Sdn Bhd	Providing, supplying and servicing BOFORS weapons system	RM1,000,000	**33**	33
BHIC AeroServices Sdn Bhd	Maintenance, repair and overhaul of rotary and fixed wing aircraft	RM2,000,000	**33**	33

* 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
% Incorporated in United Kingdom

Recurrent Related Party Transactions

At the Annual General Meeting held on 4 April 2016, 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 2016 pursuant to the Shareholders' Mandate are disclosed as follows:

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Plantations Berhad	Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	Provision of IT related services by Boustead Information Technology Sdn Bhd	1.0
	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	1.2
	Dato' Sri Ghazali Mohd Ali LTAT	General management fees, internal audit fees and tax consultancy fees paid to Boustead Holdings Berhad	2.0
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	0.7
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	1.2
	Dato' Sri Ghazali Mohd Ali Datuk Azzat Kamaludin	Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	2.2
	LTAT	Premise rental paid by Boustead Heavy Industries Corporation Berhad	2.1
		Provision of computer service by Boustead Information Technology Sdn Bhd	0.4
		Provision of construction works to Boustead Heavy Industries Corporation Berhad	–
		Provision of project management service by Boustead Engineering Sdn Bhd	–
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	0.8

Recurrent Related Party Transactions

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Heavy Industries Corporation Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Sale of equipment and machinery for ship related activities to Boustead Naval Shipyard Sdn Bhd	1.0
	Dato' Sri Ghazali Mohd Ali		
	Datuk Azzat Kamaludin	Ship building and ship repair works provided to Boustead Naval Shipyard Sdn Bhd	396.1
	LTAT	Premise rental paid by Boustead Naval Shipyard Sdn Bhd	1.4
		Provision of training to Boustead Naval Shipyard Sdn Bhd	–
		Office rental at Menara Boustead, Penang paid to Boustead Holdings Berhad	0.2
		Provision of project management service by Boustead Atlas Hall Sdn Bhd	–
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	2.5
		Provision of training, management and related services by Boustead Holdings Berhad	0.3
		Provision of terminal and related services to Boustead Cruise Centre Sdn Bhd	–
		Rental of premises by Boustead Atlas Hall Sdn Bhd	0.1
Boustead Petroleum Marketing Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Sale of non-regulated petroleum products to Boustead Holdings Berhad Group	4.8
	Dato' Sri Ghazali Mohd Ali	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	0.8
	LTAT		

Recurrent Related Party Transactions

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Pharmaniaga Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin Dato' Sri Ghazali Mohd Ali LTAT	Provision of corporate and administrative support services and training by Boustead Holdings Berhad	1.4
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	1.4
		Purchase of equipment from Boustead Engineering Sdn Bhd	–
Affin Holdings Berhad Group	Tan Sri Dato' Seri Lodin Wok Kamaruddin Dato' Sri Ghazali Mohd Ali LTAT	Office rental at Menara Boustead, Menara Affin and the Curve paid to Boustead Realty Sdn Bhd, Boustead Curve Sdn Bhd and Boustead Properties Berhad	17.2
		Provision of professional service to Boustead Holdings Berhad, Boustead Naval Shipyard Sdn Bhd and Boustead Properties Berhad	1.4
		Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	1.0
Irat Hotels and Resorts Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin Dato' Sri Ghazali Mohd Ali LTAT	Rental of hotel building paid by Boustead Hotels and Resorts Sdn Bhd	12.2
Arkitek MAA	Dato' Sri Ghazali Mohd Ali	Provision of architectural services to Boustead Curve Sdn Bhd, Boustead Weld Quay Sdn Bhd, Damansara Entertainment Centre Sdn Bhd, Mutiara Rini Sdn Bhd and Boustead Balau Sdn Bhd	5.2
Azzat & Izzat	Datuk Azzat Kamaludin	Provision of legal services to Boustead Holdings Berhad Group	3.2

Recurrent Related Party Transactions

Related Party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
LTAT	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Provision of project management service by Boustead Properties Berhad	1.1
	Dato' Sri Ghazali Mohd Ali LTAT	Purchase of air tickets and travel related services from Boustead Travel Services Sdn Bhd	–
Perbadanan Perwira Harta Malaysia	Tan Sri Dato' Seri Lodin Wok Kamaruddin Dato' Sri Ghazali Mohd Ali LTAT	Provision of renovation works by Boustead Building Materials Sdn Bhd	35.1

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	12	626.0	*2016
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	17	310.6	2014
Telok Sengat Estate, Kota Tinggi, Johor	3,690.1	Oil palm estate & palm oil mill	Freehold	30	281.2	2013
University of Nottingham in Malaysia, Semenyih Selangor	41.2	University campus	Freehold	11	264.2	2003
eCurve, Jalan PJU 7/3 Mutiara Damansara,	1.6	Commercial land and building	Freehold	11	206.0	*2016
Lot 67329 & Lot 67330 Mutiara Damansara, Mukim Sungai Buloh, Selangor	0.85	Office complex under construction	Freehold		200.4	*2016
Royale Chulan Damansara, No 2, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.88	Hotel	Freehold	5	194.9	2012
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		183.5	2014
G&G Estate, Lahad Datu, Sabah	2,409.8	Oil palm estate	1978 – 2077		182.4	2013

Top 30 Properties of the Group

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Sungai Sungai Estate, Sugut, Sabah	6,096.4	Oil palm estate & palm oil mill	1997 – 2098	11	162.2	2012
Menara Affin 80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office complex	Freehold	18	160.0	*2016
Mutiara Rini, Kulai, Johor	104.4	Development land	1912 – 2911		157.8	1995
23-26, Leinster Square, London	0.1	Hotel	Freehold	>100	144.4	2014
Sutera Estate, Sandakan Sabah	2,200.7	Oil palm estate	1888 – 2887		143.5	2013
Bukit Mertajam Estate, Kulim, Kedah	2,164.8	Oil palm estate	Freehold		139.7	2013
Curve NX, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.61	Commercial land and building	Freehold	5	126.0	*2016
PT482, Seksyen 90 Bandar Kuala Lumpur	3.24	Development land	Freehold		122.1	2013
Menara Boustead, 69 Jalan Raja Chulan, Kuala Lumpur	0.43	Office complex	Freehold	31	120.1	2001
Bebar Estate, Muadzam Shah, Pahang	2,340.6	Oil palm estate	1984 – 2083		118.2	2013
Royale Bintang Penang Pengkalan Weld, Pulau Pinang	0.48	Hotel	Freehold	3	116.4	2007
Sungai Segamaha and Bukit Segamaha Estates Lahad Datu	5,659.6	Oil palm estate and palm oil mill	1979 – 2077	20	110.3	2013
Menara Boustead Penang, Jalan Sultan Ahmad Shah Georgetown, Pulau Pinang	4.0	Office complex	Freehold	18	107.0	*2016

Top 30 Properties of the Group

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
PT481, Seksyen 90 Bandar Kuala Lumpur	1.2	Commercial land	Freehold		104.5	*2016
Lepan Kabu Estate, Kuala Pahi, Kelantan	2,034.6	Oil palm estate & palm oil mill	Freehold	46	101.4	2013
Menara UAC, 12 Jalan PJU 7/5 Mutiara Damansara, Selangor	1.4	Commercial land and building	Freehold	9	98.0	*2016
Royale Bintang Kuala Lumpur, 17-21 Jalan Bukit Bintang, Kuala Lumpur	0.31	Hotel	Freehold	19	93.2	2003
Segaria Estate, Semporna Sabah	4,746.2	Oil palm estate & palm oil mill	1965 – 2072	36	92.4	2012
Royale Bintang Seremban, Jalan Dato' A.S. Dawood Seremban, Negeri Sembilan	2.5	Hotel	Freehold	16	86.4	2008
Lot 70, Mutiara Damansara Mukim Sungai Buluh, Selangor	4.3	Development land	Freehold		83.5	1999
TRP Estate, Trong, Perak	1,379.3	Oil plam estate & pal oil mill	Freehold	15	81.4	2013

** Year of revaluation*
Book values are stated in RM Million

Additional Disclosures

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

The status of the utilisation of proceeds from the Company's right issue as at 15 February 2017 is as tabulated below:

Purpose	Proposed Utilisation RM Million	Actual Utilisation RM Million	Balance To Be Utilised RM Million	Deviation %	Time Frame
Repayment of borrowings	486.0	486.0	–	–	Within 12 months
Property development activities	507.0	47.0	460.0	91	Within 24 months
Working capital	60.5	60.5	–	–	Within 12 months
Right issue expenses	1.3	1.3	–	–	Within 6 months
Total gross proceeds	1,054.8	594.8	460.0		

2. AUDIT AND NON-AUDIT FEES

	Audit Fees		Non-Audit Fees	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Audit and non-audit fees paid to the external auditors for the financial year ended 31 December 2016				
– Auditor of the Company	3,356	250	1,052	77
– Others	827	–	7	–
	4,183	250	1,059	77

The provision of non-audit services by the external auditors to the Group is both cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants.

3. MATERIAL CONTRACTS

On 19 December 2016, the Group's wholly owned Subsidiary, Boustead Construction Sdn Bhd (BCSB) entered into sale and purchase agreement with Lembaga Tabung Angkatan Tentera to purchase lands measuring 10.74 acres in Mukim Petaling, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (known as The Bukit Jalil Lands) for a total cash consideration of RM172,780,035.48 (Proposed Acquisition).

The Proposed Acquisition is conditional upon the approval of the relevant State Authority for the transfer of the Bukit Jalil lands to BCSB.

There were no other material contracts which had been entered into by the Group involving the interests of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

Group Oil Palm Agricultural Statistics

	2016	2015	2014	2013	2012
Planted area in hectares (ha)					
Past prime	**12,234**	13,138	13,464	9,631	8,887
Prime	**33,199**	33,533	38,436	42,922	41,198
Young	**11,964**	12,387	12,636	12,542	11,595
Total mature	**57,397**	59,058	64,536	65,095	61,680
Immature	**7,071**	6,622	6,042	5,243	5,598
Total planted	**64,468**	65,680	70,578	70,338	67,278
FFB Crop (MT)	**908,576**	1,037,163	1,036,582	1,032,174	1,075,605
FFB yield per mature ha (MT/ha)	**15.6**	17.6	16.2	16.4	17.4
Mill production (MT)					
Palm oil	**217,561**	245,120	247,198	238,371	250,430
Palm kernel	**44,035**	51,444	51,533	52,927	56,059
Extraction rate (%)					
Palm oil	**21.5**	21.9	21.8	20.9	20.8
Palm kernel	**4.4**	4.6	4.5	4.6	4.7
Oil yield per mature ha (MT/ha)	**3.4**	3.9	3.5	3.4	3.6
Average selling price (RM/MT)					
FFB	**598**	458	511	486	577
Palm oil	**2,584**	2,148	2,401	2,353	2,902
Palm kernel	**2,460**	1,533	1,679	1,284	1,568

Plantation
Area Statement

AREA STATEMENT

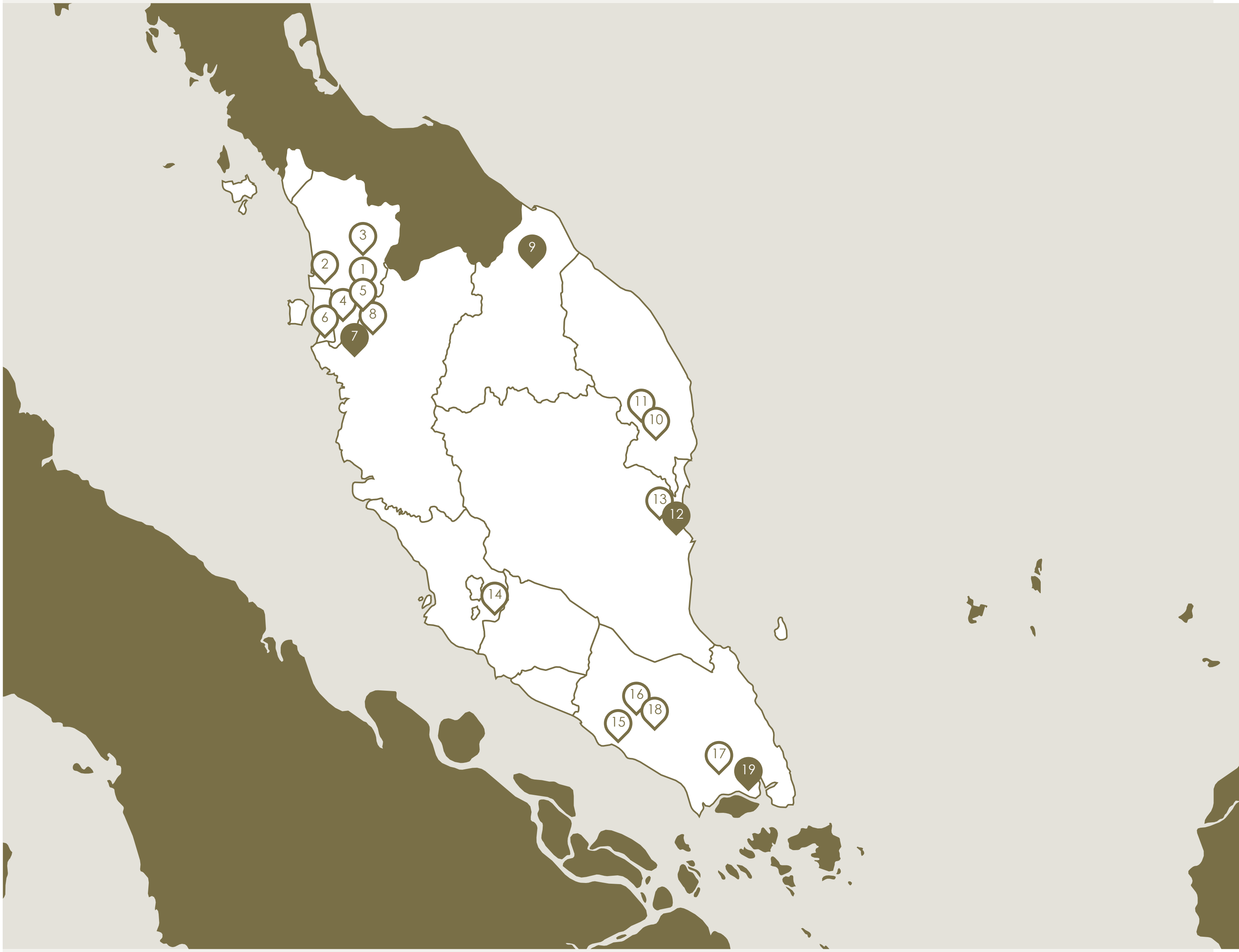
	2016		2015	
	Ha	%	Ha	%
Oil palm	**64,468**	**78.1**	65,680	78.9
Building sites, roads, unplantable areas, etc	**18,048**	**21.9**	17,551	21.1
Total	**82,516**	**100.0**	83,231	100.0

AGE PROFILE OF PALMS

2016

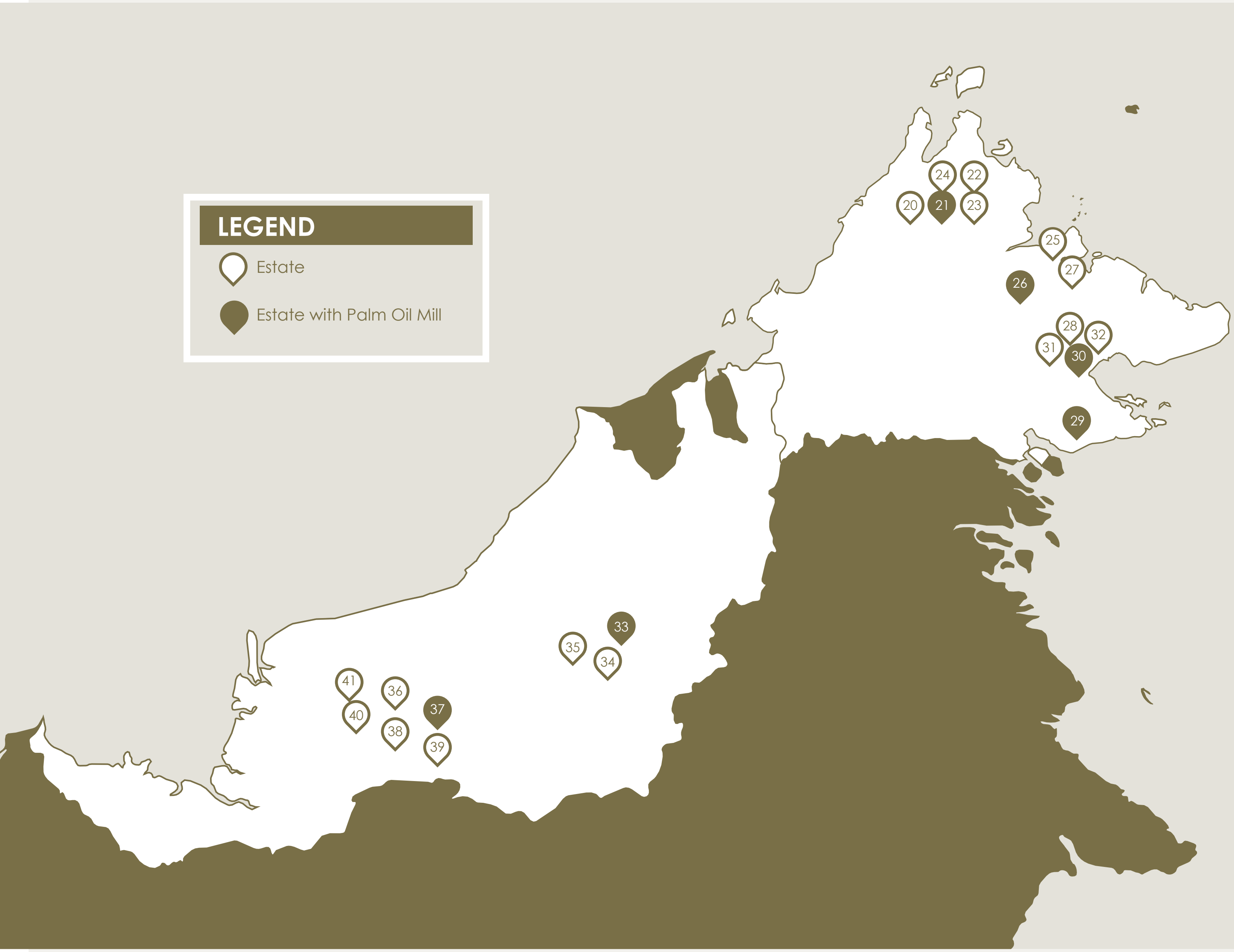
		Mature			
Region	**Immature < 3 years**	**Young 4 - 9 years**	**Prime 10 - 20 years**	**Past Prime > 20 years**	**Total planted**
Peninsular Malaysia	**2,749**	**7,431**	**9,292**	**5,402**	**24,874**
Sabah	**4,052**	**4,533**	**13,544**	**5,092**	**27,221**
Sarawak	**270**	**–**	**10,363**	**1,740**	**12,373**
Total hectares	**7,071**	**11,964**	**33,199**	**12,234**	**64,468**

Location Of Group Plantations



Peninsular Malaysia

1. Batu Pekaka
2. Kuala Muda
3. Stothard
4. Kedah Oil Palm
5. Bukit Mertajam
6. Malakoff
7. TRP
8. Malaya
9. Lepan Kabu
10. Solandra
11. LTT-Terengganu
12. Sungai Jernih
13. Bebar
14. Balau
15. Bekoh
16. Eldred
17. Kulai Young
18. Chamek
19 Telok Sengat



Sabah & Sarawak

20. Sungai Sungai 1
21. Sungai Sungai 2
22. Sungai Sungai 3
23. Kawananan
24. Lembah Paitan
25. 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 2017

Size of shareholdings	No. of holders	%	No. of shares	%
Less Than 100	913	7.20	18,506	0.00
100 to 1,000	1,065	8.40	460,067	0.02
1,001 to 10,000	6,704	52.85	29,235,995	1.44
10,001 to 100,000	3,454	27.23	100,047,469	4.94
100,001 to less than 5% of issued shares	546	4.30	496,417,050	24.49
5% and above of issued shares	2	0.02	1,400,808,910	69.11
TOTAL	**12,684**	**100.00**	**2,026,987,997**	**100.00**

30 LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	1,216,245,018	60.00
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	184,563,892	9.11
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AIA BHD.*	73,581,111	3.63
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	34,753,148	1.71
5	CHINCHOO INVESTMENT SDN.BERHAD	19,851,200	0.98
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PBCL-0G0052)*	19,600,000	0.97
7	KEY DEVELOPMENT SDN.BERHAD	18,927,857	0.93
8	GAN TENG SIEW REALTY SDN.BERHAD	17,068,921	0.84
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR CHE LODIN BIN WOK KAMARUDDIN (PB)*	15,339,530	0.76
10	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND*	13,363,191	0.66
11	CHE LODIN BIN WOK KAMARUDDIN	12,872,000	0.64
12	YONG SIEW YOON	12,239,731	0.60
13	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER (LIFE PAR)*	12,221,174	0.60
14	CARTABAN NOMINEES (TEMPATAN) SDN BHD *ICAPITAL.BIZ BERHAD*	12,147,786	0.60
15	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER (S'HOLDERS NPAR)*	7,878,220	0.39
16	GEMAS BAHRU ESTATES SDN. BHD.	6,917,780	0.34
17	BIDOR TAHAN ESTATES SDN.BHD.	6,435,268	0.32
18	MIKDAVID SDN BHD	5,914,162	0.29

30 LARGEST SHAREHOLDERS (CONT'D.)

No.	Name of shareholders	No. of shares	%
19	UOB KAY HIAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	5,482,735	0.27
20	RENGO MALAY ESTATE SENDIRIAN BERHAD	4,847,981	0.24
21	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC*	4,713,431	0.23
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MM0197)*	4,446,275	0.22
23	CHINCHOO HOLDINGS (S) PRIVATE LIMITED	3,987,286	0.20
24	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)*	3,952,317	0.19
25	CIMSEC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)*	3,519,543	0.17
26	AMANAHRAYA TRUSTEES BERHAD *AFFIN HWANG GROWTH FUND*	3,270,560	0.16
27	AMANAHRAYA TRUSTEES BERHAD *AFFIN HWANG PRINCIPLED GROWTH FUND*	2,552,880	0.13
28	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD *MAYBANK KIM ENG SECURITIES PTE LTD FOR LIM SHIANG LIANG (LIN XIANGLIANG)*	2,542,972	0.13
29	YEOH SAIK KHOO SENDIRIAN BERHAD	2,514,980	0.12
30	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MAK SENG FOOK*	2,393,378	0.12
	TOTAL	**1,734,144,327**	**85.55**

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct interest No. of holders	%	Indirect interest No. of shares	%
Lembaga Tabung Angkatan Tentera	1,216,817,818*	60.03	–	–
Kumpulan Wang Persaraan (Diperbadankan)	184,563,892	9.11	–	–

Class of shares	Ordinary share of RM0.50 each
Voting rights	1 vote per ordinary share

* Held directly by Lembaga Tabung Angkatan Tentera 1,216,245,018 ordinary shares (60.00%)
Held by Nominees 572,800 ordinary shares (0.03%)

Statement of Directors' Interests

IN THE COMPANY AND RELATED CORPORATIONS AS AT 15 FEBRUARY 2017

Name of Director	No. of shares	Direct %
Ordinary shares of RM0.50 each		
BOUSTEAD HOLDINGS BERHAD		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	52,257,805	2.58
Datuk Azzat Kamaludin	112,000	0.01
PHARMANIAGA BERHAD		
Gen Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	220,000	0.08
Tan Sri Dato' Seri Lodin Wok Kamaruddin	12,500,148	4.82
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	121,000	0.05
Datuk Azzat Kamaludin	226,260	0.09
Dato' Sri Ghazali Mohd Ali	143,000	0.06
BOUSTEAD PLANTATIONS BERHAD		
Gen Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	1,560,000	0.10
Tan Sri Dato' Seri Lodin Wok Kamaruddin	27,836,800	1.74
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	1,590,000	0.10
Datuk Azzat Kamaludin	1,550,000	0.10
Dato' Sri Ghazali Mohd Ali	1,234,000	0.08
Datuk Francis Tan Leh Kiah	1,190,000	0.07
Ordinary shares of RM1.00 each		
BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	0.80
Datuk Azzat Kamaludin	350,000	0.14
Dato' Sri Ghazali Mohd Ali	75,000	0.03
BOUSTEAD PETROLEUM SDN BHD		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	5.00
AFFIN HOLDINGS BERHAD		
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-Fifth Annual General Meeting of Boustead Holdings Berhad will be held at Mutiara Ballroom, Ground Floor, The Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Thursday, 6 April 2017 at 2.00 p.m. for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors.
   (Please refer to Note 1)

2. To re-elect Dato' Sri Ghazali Mohd Ali who retires by rotation in accordance with Article 105 of the Company's Articles of Association, and being eligible, offers himself for re-election. **Resolution 1**

3. To re-appoint Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) as Director of the Company. **Resolution 2**

4. To re-appoint Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad as Director of the Company. **Resolution 3**

5. To re-appoint Datuk Azzat Kamaludin as Director of the Company. **Resolution 4**

6. To approve Directors' fees of RM542,000 in respect of the financial year ended 31 December 2016. **Resolution 5**

7. To re-appoint Messrs. Ernst & Young as auditors of the Company and to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Directors. **Resolution 6**

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions:

8. **ORDINARY RESOLUTION**
AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 **Resolution 7**

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from 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."

9. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS **Resolution 8**

"THAT, subject always to the Companies Act, 2016 (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 15 March 2017, 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 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by a resolution passed by the Shareholders in a General Meeting;

whichever is the earlier.

AND FURTHER that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this Shareholders' Mandate."

Notice Of Annual General Meeting

10. **ORDINARY RESOLUTION**
PROPOSED ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS **Resolution 9**

"THAT, subject always to the Companies Act, 2016 (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 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 15 March 2017, 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 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(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."

11. **ORDINARY RESOLUTIONS**
RETENTION OF INDEPENDENT DIRECTORS

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." **Resolution 10**

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**

Notice Of Annual General Meeting

To transact any other business of the Company.

By Order of the Board

TASNEEM MOHD DAHALAN
Secretary

Kuala Lumpur
15 March 2017

Notes

1. **Audited Financial Statements**

   The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act, 2016 are meant for discussion only. It does not require shareholders' approval, and therefore, shall not be put forward for voting.

2. **Ordinary Resolutions 2, 3 and 4**

   With the coming into force of the Companies Act, 2016 on 31 January 2017, there is no age limit for directors.

   At the Fifty-Fourth Annual General Meeting of the Company held on 4 April 2016, Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R), Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad and Datuk Azzat Kamaludin who are above the age of 70, were re-appointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the Fifty-Fifth Annual General Meeting. Their term of office will end at the conclusion of the Fifty-Fifth Annual General Meeting and they have offered themselves for re-appointment.

   The proposed Ordinary Resolutions 2, 3 and 4 if passed, will enable Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R), Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad and Datuk Azzat Kamaludin to continue to act as Directors of the Company and they shall subject to retirement by rotation at a later date.

   The Nominating Committee ("NC") of the Company has assessed the criteria and contribution of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R), Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad and Datuk Azzat Kamaludin and recommended for their re-appointment. The Board endorsed the NC's recommendation that Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R), Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad and Datuk Azzat Kamaludin be re-appointed as Directors of the Company.

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 were issued pursuant to the authority granted to the Directors at the Fifty-Fourth Annual General Meeting held on 4 April 2016, the mandate of which will lapse at the conclusion of the Fifty-Fifth Annual General Meeting to be held on 6 April 2017.

      However, the Company has issued 413,671,221 new ordinary shares of RM0.50 each (Rights Shares) on the basis of 2 Rights Shares for every 5 existing shares held at an issue price of RM2.55 per Rights Shares and 579,138,723 new 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 Rights Issue, pursuant to the approval at the Extraordinary General Meeting 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 through the NC, has determined that Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad are fair and impartial in carrying out their duties to the Company. As Directors, they continue to bring independent and objective judgements to Board deliberations and the decision making process as a whole. They also possess vast professional experience and bring the right mix of skills to the Board. The Board therefore, endorsed the NC's recommendation for both Directors to be retained as Independent Directors.

4. **Appointment of Proxy**

   a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint any person to be his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.

   b) In the case of a Corporation, the proxy should be executed under the hand of a duly authorised officer.

   c) A member of the Company is entitled to appoint more than one proxy to attend and vote at the same meeting in his stead, provided that the member specifies the proportion of his shareholdings to be represented by each proxy.

   d) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   e) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, 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.

   f) Only members registered in the Record of Depositors as at 28 March 2017 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

   g) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

Statement Accompanying Notice Of Annual General Meeting

1. DIRECTORS WHO ARE STANDING FOR RE-APPOINTMENT & RE-ELECTION

(a) Director standing for re-election pursuant to Article 105 of the Company's Articles of Association:

Dato' Sri Ghazali Mohd Ali

(b) Directors standing for re-appointment:

(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 95 of the annual report.

Profile of the Directors standing for re-election and re-appointment are set out on pages 14 to 19 of the annual report; while details of their interest in securities are set out on pages 115 and 248 of the annual report.

2. DATE, TIME AND PLACE OF THE ANNUAL GENERAL MEETING

The Fifty-Fifth Annual General Meeting of Boustead Holdings Berhad will be held as follows:

Date	:	Thursday, 6 April 2017
Time	:	2.00 p.m.
Place	:	Mutiara Ballroom, Ground Floor, 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-Fifth Annual General Meeting of the Company to be held at Mutiara Ballroom, Ground Floor, The Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Thursday, 6 April 2017 at 2.00 p.m. or any adjournment thereof, to vote as indicated below:

No.	Resolution	For	Against
1	Re-election of Dato' Sri Ghazali Mohd Ali		
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 _____________ 2017

____
Signature of Member

No. of ordinary shares held:	
CDS Account No.:	
Proportion of shareholdings to be represented by proxies	First Proxy: ______% Second Proxy: ______%
Contact No.:	

Notes

(a) If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name and address of the person of your choice and initial the insertion at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.

(b) In the case of a Corporation, the proxy should be executed under the hand of a duly authorised officer.

(c) A member of the Company is entitled to appoint more than one proxy to attend and vote at the same meeting in his stead, provided that the member specifies the proportion of his shareholdings to be represented by each proxy.

(d) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(e) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, 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.

(f) Only members registered in the Record of Depositors as at 28 March 2017 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

(g) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions will be put to vote by poll.

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STAMP

Share Registrar of Boustead Holdings Berhad
Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur

Fold here

BOUSTEAD HOLDINGS BERHAD 3871-H
28th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
MALAYSIA

www.boustead.com.my