



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



# NEW HEIGHTS OF EXCELLENCE

ANNUAL REPORT 2017

## NEW HEIGHTS OF EXCELLENCE

Through resilience and foresight, the Boustead Group attained new heights of excellence across our operations. Our six Divisions which are represented in the cover visual, operate within key sectors of the nation's economy to deliver synergistic growth.



# AT A GLANCE

REVENUE  
RM10  
BILLION

PROFIT  
AFTER TAX  
RM923  
MILLION

DIVIDEND  
11  
SEN

CAPEX &  
ACQUISITION  
RM271  
MILLION

PROFIT  
BEFORE TAX  
RM1.1  
BILLION

EBITDA  
RM1.6  
BILLION

TOTAL ASSETS  
RM17.7  
BILLION

## WHAT'S INSIDE



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# About Us & Our Core Business

## PLANTATION

Leveraging on our vast experience and strong track record in plantation management, the Plantation Division manages a sizable land bank across Peninsular Malaysia, Sabah and Sarawak. The Division is focused on championing sustainable agriculture practices through advanced agronomic measures.

## PROPERTY

With a strong portfolio of assets to its name including award-winning townships, a prominent chain of hotels as well as commercial and residential developments, our Property Division is an active participant in the property sector. The Division is primarily involved in property development, property investment and property management, in addition to project management and hotel operations.

## PHARMACEUTICAL

As an industry leader in the fast-evolving pharmaceutical sector, the Pharmaceutical Division provides an extensive array of quality products and services to Government facilities and private institutions within the pharmaceutical and healthcare industry. The Division is engaged in the manufacturing of generic pharmaceuticals, warehousing, logistics, distribution, retail pharmacy and trading of medical products, as well as hospital equipment.



With a history spanning 190 years, Boustead Holdings Berhad has grown to become a leading participant in Malaysia's economic landscape.

Boustead is one of Malaysia's largest diversified conglomerates with an active interest in the Malaysian economy, namely Plantation, Property, Pharmaceutical, Heavy Industries, Finance & Investment and Trading & Industrial.

Our growth is propelled by a robust talent pool of over 16,000 employees across the Group, in both our listed and non-listed subsidiaries. Our total assets amount to RM17.7 billion while shareholders' funds stood at RM5.9 billion.

## HEAVY INDUSTRIES

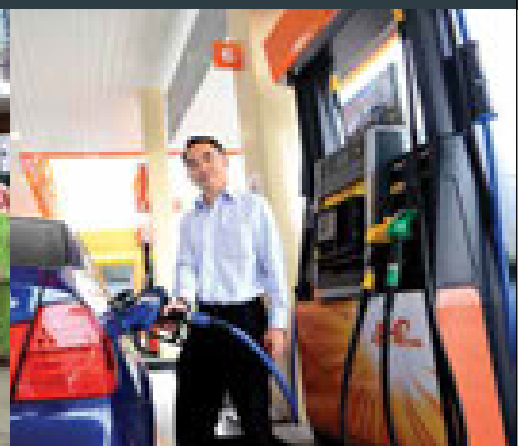
The Heavy Industries Division has diverse maritime and aerospace interests in the defence, enforcement and security as well as commercial and energy sectors. The Division also offers a wide range of products and services including shipbuilding of naval vessels, fabrication for the oil and gas industry,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

## FINANCE & INVESTMENT

The Finance & Investment Division, led by financial services conglomerate, the AFFIN Group, provides a full range of financial solutions in consumer banking, investment banking, Islamic banking along with finance and insurance. The Division also boasts a diverse portfolio of investments in sectors including education, travel, tourism and automated traffic enforcement.

## TRADING & INDUSTRIAL

The Trading & Industrial Division is invested in leading homegrown brands including Malaysia's only other home-grown retail petroleum network. The Division is also involved in the manufacturing and distribution of building materials and Industrialised Building System (IBS), along with project management expertise for construction work.



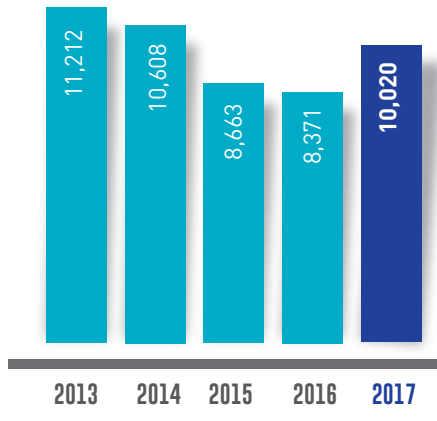
# Five-year Financial Highlights

|                                     |       | 2017          | 2016   | 2015   | 2014   | 2013   |
|-------------------------------------|-------|---------------|--------|--------|--------|--------|
| <b>FINANCIAL PERFORMANCE</b>        |       |               |        |        |        |        |
| Revenue                             |       | <b>10,020</b> | 8,371  | 8,663  | 10,608 | 11,212 |
| Profit before taxation              |       | <b>1,117</b>  | 740    | 269    | 686    | 708    |
| Profit after taxation               |       | <b>923</b>    | 589    | 139    | 533    | 560    |
| Profit attributable to shareholders |       | <b>462</b>    | 369    | 13     | 408    | 479    |
| Earnings per share                  | sen   | <b>22.8</b>   | 20.0   | 0.8    | 24.9   | 29.2   |
| Return on equity                    | %     | <b>8.0</b>    | 7.2    | 0.3    | 8.8    | 10.4   |
| Return on assets                    | %     | <b>7.7</b>    | 5.8    | 3.3    | 6.1    | 6.7    |
| Return on revenue                   | %     | <b>12.8</b>   | 7.0    | 4.3    | 6.0    | 4.5    |
| <b>DIVIDENDS</b>                    |       |               |        |        |        |        |
| Dividend for the year               |       | <b>223</b>    | 305    | 207    | 269    | 310    |
| Net dividend per share              | sen   | <b>11.0</b>   | 17.5   | 20.0   | 26.0   | 30.0   |
| Dividend yield                      | %     | <b>3.8</b>    | 6.6    | 4.7    | 5.4    | 5.3    |
| Dividend cover                      | times | <b>2.1</b>    | 1.2    | –      | 1.5    | 1.5    |
| <b>GEARING</b>                      |       |               |        |        |        |        |
| Borrowings                          |       | <b>6,184</b>  | 7,317  | 8,034  | 7,081  | 6,636  |
| Gearing                             | times | <b>0.7</b>    | 0.9    | 1.1    | 0.9    | 1.1    |
| Interest cover                      | times | <b>5.4</b>    | 3.5    | 1.9    | 3.4    | 3.7    |
| <b>OTHER FINANCIAL STATISTICS</b>   |       |               |        |        |        |        |
| Net assets per share                | sen   | <b>292</b>    | 281    | 439    | 458    | 440    |
| Share price – high                  | sen   | <b>307</b>    | 271    | 475    | 550    | 571    |
| Share price – low                   | sen   | <b>241</b>    | 186    | 380    | 438    | 493    |
| Price earning ratio                 | times | <b>13</b>     | 13     | –      | 12     | 12     |
| Paid up share capital               |       | <b>2,736</b>  | 1,014  | 517    | 517    | 517    |
| Shareholders' equity                |       | <b>5,909</b>  | 5,686  | 4,543  | 4,739  | 4,555  |
| Total equity                        |       | <b>8,918</b>  | 8,501  | 7,358  | 7,573  | 5,925  |
| Total assets                        |       | <b>17,708</b> | 17,932 | 17,620 | 16,680 | 15,118 |

All figures are in RM million unless otherwise stated.

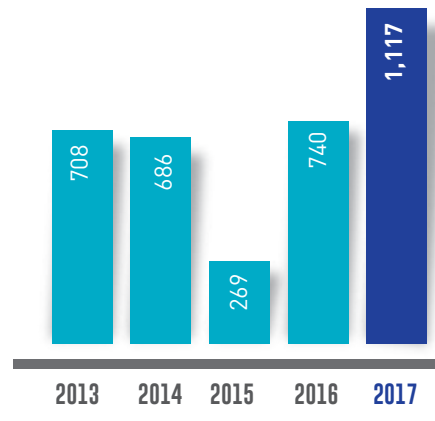
## REVENUE

(RM) Million



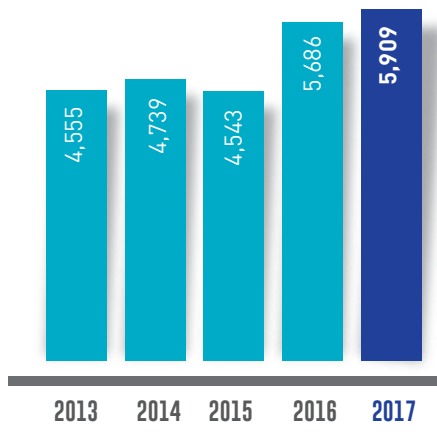
## PROFIT BEFORE TAXATION

(RM) Million



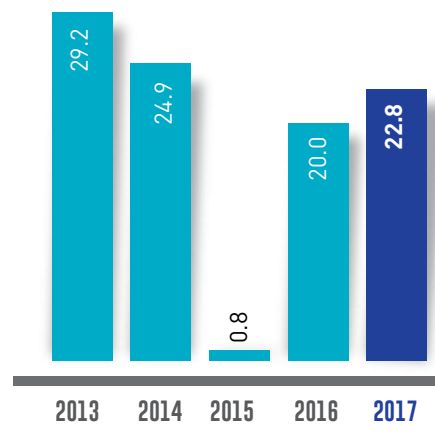
## SHAREHOLDER'S EQUITY

(RM) Million



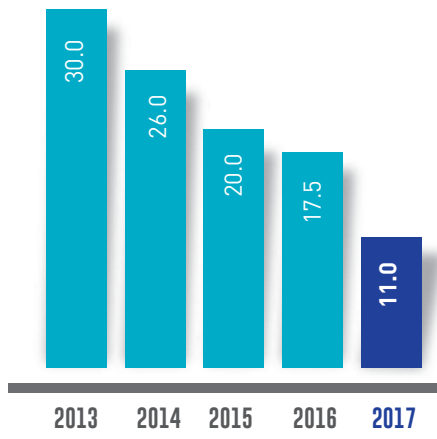
## EARNINGS PER SHARE

(Sen)



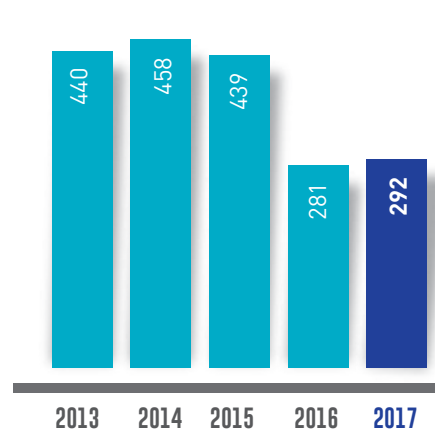
## DIVIDEND PER SHARE

(Sen)



## NET ASSETS PER SHARE

(Sen)



# Corporate Information

## DIRECTORS

**Gen. Tan Sri Dato' Mohd Ghazali**

**Hj. Che Mat (R)**

Chairman

Independent Non-Executive Director

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

Deputy Chairman/Group Managing Director

Non-Independent Executive Director

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

**Megat Ahmad**

Senior Independent Non-Executive Director

**Datuk Azzat Kamaludin**

Non-Independent Non-Executive Director

**Dato' Sri Ghazali Mohd Ali**

Non-Independent Executive Director

**Datuk Francis Tan Leh Kiah**

Independent Non-Executive Director

**Datuk Zainun Aishah Ahmad**

Independent Non-Executive Director

*(Appointed on 1 December 2017)*

## REGISTERED OFFICE

28th Floor, Menara Boustead

No. 69 Jalan Raja Chulan

50200 Kuala Lumpur, Malaysia

Tel : (03) 2141 9044 Fax : (03) 2141 9750

[www.boustead.com.my](http://www.boustead.com.my)

## REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South, No. 8 Jalan Kerinchi

59200 Kuala Lumpur, Malaysia

Tel : (03) 2783 9299 Fax : (03) 2783 9222

## SECRETARY

Tasneem Mohd Dahalan

## PRINCIPAL BANKERS

Affin Bank Berhad

Alliance Bank Malaysia Berhad

Ambank (M) Berhad

CIMB Bank Berhad

Hong Leong Bank Berhad

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

RHB Bank Berhad

United Overseas Bank Berhad

## AUDITORS

Ernst & Young

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

Stock name : BSTEAD

Stock code : 2771

## HOLDING CORPORATION

Lembaga Tabung Angkatan Tentera







# Financial Calendar

FINANCIAL YEAR

**1 JAN**  
to  
**31 DEC**  
2017

RESULTS

■ ■ First Quarter  
Announced 29 May 2017

■ ■ Second Quarter  
Announced 30 August 2017

■ ■ Third Quarter  
Announced 30 November 2017

■ ■ Fourth Quarter  
Announced 28 February 2018

A grayscale background image showing a hand pointing at a laptop screen, with the laptop keyboard visible in the foreground.

## ANNUAL REPORT

Issued  
14 March 2018

## DIVIDENDS

### First Interim

Announced 29 May 2017  
Entitlement date 15 June 2017  
Payment date 23 June 2017

### Third Interim

Announced 30 November 2017  
Entitlement date 18 December 2017  
Payment date 29 December 2017

## ANNUAL GENERAL MEETING

12 April 2018

### Second Interim

Announced 30 August 2017  
Entitlement date 18 September 2017  
Payment date 28 September 2017

### Fourth Interim

Announced 28 February 2018  
Entitlement date 15 March 2018  
Payment date 29 March 2018

# ■ Profile Of Directors



**GEN. TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT (R)**  
CHAIRMAN  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 87  
Gender : Male  
Nationality : Malaysian

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

3 December 1990

## **Board Committee(s)**

- Member of Nominating Committee
- Member of Remuneration Committee

## **Board Meeting attended in the financial year**

- 4/4

## **Working experience**

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

## **Qualification**

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

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

Nil

## **Directorship in other public listed companies**

- Boustead Plantations Berhad (Chairman)

## **Directorship in public companies**

- Boustead Properties Berhad (Chairman)
- UAC Berhad (Chairman)

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

No

## **Conflict of interests with the Company**

No

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

Nil

**TAN SRI DATO' SERI LODIN WOK KAMARUDDIN**  
**DEPUTY CHAIRMAN/GROUP MANAGING DIRECTOR**  
**NON-INDEPENDENT EXECUTIVE DIRECTOR**



Age : 68  
 Gender : Male  
 Nationality : Malaysian

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

10 July 1984

**Board Committee(s)**

- Chairman of Sustainability Committee
- Member of Remuneration Committee

**Board Meeting attended in the financial year**

• 4/4

**Working experience**

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

**Qualification**

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

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

- 52,257,805 Ordinary Shares

**Directorship in other public listed companies**

- Boustead Heavy Industries Corporation Berhad (Chairman)
- Pharmaniaga Berhad (Chairman)
- Boustead Plantations Berhad (Vice Chairman)

**Directorship in public companies**

- Affin Hwang Asset Management Berhad (Chairman)
- MHS Aviation Berhad (Chairman)
- Boustead Properties Berhad
- Badan Pengawas Pemegang Saham Minoriti Berhad
- UAC Berhad

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

No

**Conflict of interests with the Company**

No

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

Nil



**DATO' WIRA (DR.) MEGAT ABDUL RAHMAN MEGAT AHMAD**  
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 78  
Gender : Male  
Nationality : Malaysian

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

10 December 1990

### Board Committee(s)

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

### Board Meeting attended in the financial year

- 4/4

### Working experience

- He was a partner of KPMG Malaysia and Managing Partner of KPMG Desa Megat & Co. for over 10 years
- An Executive Director in Kumpulan Guthrie Berhad for over 11 years

### Qualification

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

- Member of the Malaysian Institute of Accountants
- Fellow Member of the Institute of Chartered Accountants, Australia

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

Nil

### Directorship in other public listed companies

- Press Metal Aluminium Holdings Berhad (Chairman)

### Directorship in public companies

Nil

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

No

### Conflict of interests with the Company

No

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

Nil

**DATUK AZZAT KAMALUDIN**  
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR



Age : 72  
Gender : Male  
Nationality : Malaysian

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

16 January 1991

**Board Committee(s)**

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

**Board Meeting attended in the financial year**

- 4/4

**Working experience**

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

**Qualification**

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

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

- 112,000 Ordinary Shares

**Directorship in other public listed companies**

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

**Directorship in public companies**

Nil

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

No

**Conflict of interests with the Company**

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

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

Nil



**DATO' SRI GHAZALI MOHD ALI**  
NON-INDEPENDENT EXECUTIVE DIRECTOR

Age : 69  
Gender : Male  
Nationality : Malaysian

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

1 March 2007

**Board Committee(s)**

- None

**Board Meeting attended in the financial year**

- 4/4

**Working experience**

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

**Qualification**

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

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

Nil

**Directorship in other public listed companies**

Nil

**Directorship in public companies**

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

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

No

**Conflict of interests with the Company**

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

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

Nil



**DATUK FRANCIS TAN LEH KIAH**  
INDEPENDENT NON-EXECUTIVE DIRECTOR



Age : 66  
Gender : Male  
Nationality : Malaysian

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

11 October 2012

**Board Committee(s)**

- Member of Audit Committee
- Member of Sustainability Committee

**Board Meeting attended in the financial year**

- 4/4

**Working experience**

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

**Qualification**

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

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

Nil

**Directorship in other public listed companies**

Nil

**Directorship in public companies**

- MPI Generali Insurans Berhad
- China Construction Bank (Malaysia) Berhad

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

No

**Conflict of interests with the Company**

No

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

Nil



**DATUK ZAINUN AISHAH AHMAD**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Age : 71  
Gender : Female  
Nationality : Malaysian

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

1 December 2017

**Board Committee(s)**

- None

**Board Meeting attended in the financial year**

- None, as Datuk Zainun was appointed subsequent to the last Board of Directors' Meeting held in 2017

**Working experience**

- In her 35 years of service, Datuk Zainun has held various senior positions in the Malaysian Industrial Development Authority (MIDA), as well as in some of Malaysia's strategic councils

Senior positions held:

- ◉ 1986 to 1995 – Deputy-Director General
- ◉ 1995 to 2004 – Director General

Others:

- ◉ Member of the Industrial Coordination Act Advisory Council
- ◉ Member of the Defence Industry Council
- ◉ Member of the Business Competitiveness Council
- ◉ Member of the National Project for Majlis Penyelarasan Perindustrian

**Qualification**

- Bachelor of Economics, Universiti Malaya

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

Nil

**Directorship in other public listed companies**

- Scomi Engineering Berhad (Chairman)
- Berjaya Food Berhad
- British American Tobacco (Malaysia) Berhad
- DeGem Berhad

**Directorship in public companies**

- Pernec Corporation Berhad (Chairman)

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

No

**Conflict of interests with the Company**

No

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

Nil



*Construction in progress for Nucleus Tower*

# ■ Senior Management Team



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



**DATO' SRI GHAZALI MOHD ALI**  
Divisional Director, Property



**LAKSAMANA MADYA TAN SRI DATO' SERI AHMAD RAMLI H.J. MOHD NOR (R)**  
Managing Director, Boustead Naval Shipyard/  
Boustead Heavy Industries Corporation Berhad



**EN. FAHMY ISMAIL**  
Group Finance Director



**DATO' FARSHILA EMRAN**

Managing Director, Pharmaniaga Berhad



**DATUK KOO HOCK FEE**

Divisional Director, Industrial



**DATUK MOKHTAR KHIR**

Group Director of Operations,  
Boustead Hotels and Resorts



**MR. DANIEL EBINESAN**

Advisor, Group Finance



**MR. CHOW KOK CHOY**

Managing Director, Boustead Estates Agency



**MR. TAN KIM THIAM**

Managing Director,  
Boustead Petroleum Marketing

# Profile Of Senior Management Team

## **TAN SRI DATO' SERI LODIN WOK KAMARUDDIN** **Deputy Chairman/Group Managing Director**

Age : 68  
 Gender : Male  
 Nationality : Malaysian

**Date of appointment to present position**  
 1 July 1991

### **Working experience**

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

### **Qualification**

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

### **Directorship in public listed companies**

- Boustead Heavy Industries Corporation Berhad (Chairman)
- Pharmaniaga Berhad (Chairman)
- Boustead Plantations Berhad (Vice Chairman)

### **Directorship in public companies**

- Affin Hwang Asset Management Berhad (Chairman)
- MHS Aviation Berhad (Chairman)
- Boustead Properties Berhad
- Badan Pengawas Pemegang Saham Minoriti Berhad
- UAC Berhad

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

**Conflict of interests with the Company**  
 No

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

## **DATO' SRI GHAZALI MOHD ALI** **Divisional Director, Property**

Age : 69  
 Gender : Male  
 Nationality : Malaysian

**Date of appointment to present position**  
 1 March 2007

### **Working experience**

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

### **Qualification**

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

**Directorship in public listed companies**  
 Nil

### **Directorship in public companies**

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

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

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

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

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

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

Age : 74  
Gender : Male  
Nationality : Malaysian

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

**Working experience**

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

**Qualification**

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

**Directorship in public listed companies**

- Boustead Heavy Industries Corporation Berhad

**Directorship in public companies**

- Affin Islamic Bank Berhad
- Favelle Favco Berhad

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

No

**Conflict of interests with the Company**

No

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

Nil

**EN. FAHMY ISMAIL**

**Group Finance Director**

Age : 41  
Gender : Male  
Nationality : Malaysian

**Date of appointment to present position**  
1 October 2017

**Working Experience**

- 1999 to 2005 – Began his career as a management trainee and assumed several finance roles within the Renong Group, ranging from accounting, performance reporting, treasury and corporate finance. Last held position prior to joining Boustead Holdings Berhad (BHB) was Assistant Manager, Corporate Finance for SapuraCrest Petroleum Berhad
- 2006 – Manager, Corporate Planning Department, BHB
- 2009 – Chief Executive Officer, Boustead REIT Managers Sdn Bhd, the Manager of Al-Hadharah Boustead REIT
- 2014 to present – Chief Executive Officer, Boustead Plantations Berhad
- 2017 to present – Group Finance Director, BHB

**Qualification**

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

**Directorship in public listed companies**

Nil

**Directorship in public companies**

- Johan Ceramics Berhad

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

No

**Conflict of interests with the Company**

No

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

Nil

### DATO' FARSHILA EMRAN

**Managing Director,  
Pharmaniaga Berhad**

Age : 51  
Gender : Female  
Nationality : Malaysian

#### Date of appointment to present position

1 April 2011

#### Working Experience

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

#### Qualification

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

#### Directorship in public listed companies

- Pharmaniaga Berhad

#### Directorship in public companies

Nil

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

No

#### Conflict of interests with the Company

No

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

Nil

### MR. DANIEL EBINESAN

**Advisor, Group Finance**

Age : 72  
Gender : Male  
Nationality : Malaysian

#### Date of appointment to present position

1 October 2017

#### Working experience

- Mr. Daniel joined Boustead Holdings Berhad (BHB) in April 1974 as Group Accountant and has held various positions in Group Finance since then
- He assumed the role of Chief Financial Officer in July 1996 and subsequently appointed as Group Finance Director until October 2017. He is now the Advisor, Group Finance of BHB
- A member of the Board of Trustees of Kumpulan Wang Simpanan Kakitangan Estet Malaysia since 1996

#### Qualification

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

#### Directorship in public listed companies

- Pharmaniaga Berhad

#### Directorship in public companies

- MHS Aviation Berhad

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

No

#### Conflict of interests with the Company

No

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

Nil



## DATUK KOO HOCK FEE

Divisional Director, Industrial

Age : 66  
Gender : Male  
Nationality : Malaysian

### Date of appointment to present position

1 November 1995

### Working Experience

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

### Qualification

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

### Directorship in public listed companies

Nil

### Directorship in public companies

- UAC Berhad
- Johan Ceramics Berhad

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

No

### Conflict of interest with the Company

No

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

Nil

## MR. CHOW KOK CHOY

Managing Director,  
Boustead Estates Agency

Age : 69  
Gender : Male  
Nationality : Malaysian

### Date of appointment to present position

23 May 2014

### Working experience

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

### Qualification

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

### Directorship in public listed companies

Nil

### Directorship in public companies

Nil

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

No

### Conflict of interests with the Company

No

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

Nil

## PROFILE OF SENIOR MANAGEMENT TEAM

### DATUK MOKHTAR KHIR

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

Age : 70  
Gender : Male  
Nationality : Malaysian

**Date of appointment to present position**  
1 June 2003

#### Working experience

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

#### Qualification

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

**Directorship in public listed companies**  
Nil

**Directorship in public companies**  
Nil

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

**Conflict of interests with the Company**  
No

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

### MR. TAN KIM THIAM

**Managing Director,  
Boustead Petroleum Marketing**

Age : 59  
Gender : Male  
Nationality : Malaysian

**Date of appointment to present position**  
30 September 2005

#### Working experience

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

#### Qualification

- Bachelor of Engineering, Universiti Malaya

**Directorship in public listed companies**  
Nil

**Directorship in public companies**  
Nil

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

**Conflict of interests with the Company**  
No

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



*Site clearance for Mutiara Hills Sales Gallery*



# Chairman's STATEMENT

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

“  
IT WAS AN  
EXCEPTIONALLY  
SUCCESSFUL YEAR  
FOR YOUR GROUP.”



## DEAR SHAREHOLDER,

THE YEAR 2017 HAS BEEN AN OUTSTANDING ONE FOR THE BOUSTEAD GROUP. AMIDST HEIGHTENED COMPETITION AND HEADWINDS FACED BY THE MARKETS IN WHICH OUR COMPANIES AND BRANDS OPERATE, WE ROSE ABOVE THESE CHALLENGES TO DELIVER A RECORD PROFIT BEFORE TAX OF RM1.1 BILLION.

REVENUE  
**RM10**  
BILLION

PROFIT AFTER TAX  
**RM923**  
MILLION

NET ASSETS  
**RM2.92**  
PER SHARE

On this score, it is a pleasure to present to you our annual report for the financial year ended 31 December 2017.

### ECONOMIC LANDSCAPE

The domestic economy saw steady growth in 2017 at 5.9%. Improvements in labour conditions and wage growth fuelled private consumption and domestic demand, even as Malaysia's commodity exports recorded an increase.

Our nation's strengthening economy was very much due to our stable political environment and a Government that is focused on ensuring that businesses thrive. Globally, political developments and policy changes, particularly in major developed economies, led to uncertainties in the investment climate which had further reverberations across the international landscape.

## CREATING A COMPETITIVE, OPEN AND ENGAGING WORKPLACE

### FINANCIAL PERFORMANCE

Your Group delivered exceptional results, with all six Divisions contributing positively to the bottom line. Profit after tax leaped to RM923 million compared with RM589 million last year. This was primarily achieved on the back of gains realised from the disposal of plantation land. The Plantation Division was a key contributor in 2017, delivering record high earnings to the Group.

Earnings per share ended at 22.8 sen, and net assets per share was RM2.92. Shareholders' funds stood at RM5.9 billion for the year ended 31 December 2017.

### DIVIDEND

Over the years, your Group has consistently held true to our commitment to reward our shareholders with positive yields. This year, we continued to deliver upon this promise as we announced a fourth interim dividend of 2.5 sen per share.

In total, dividends for the year was 11 sen per share, representing a dividend yield of 3.8% based on the closing price for the financial year. To date, dividends totalling 8.5 sen have been paid out to shareholders. The remaining 2.5 sen will be paid on 29 March 2018 to shareholders on the register as at 15 March 2018.



*Upgraded living quarters at Bebar Estate*

### HUMAN CAPITAL

In an increasingly digital era where information is easily exchanged at the click of a button, it is clear that we must be able to innovate and adapt to new ideas in order to retain a pole position in the market. In this regard, our talent pool remains our greatest asset, one that needs to be carefully nurtured in order to continue to flourish.

As such, Boustead Group is focused on creating a competitive, open and engaging workplace environment. Our core values provide common ground at every level as we attract, develop and retain talent. Through a myriad of programmes, activities and other initiatives, we have sought to develop the leadership capabilities and skills-set of our employees.

**SHAREHOLDERS'  
FUND  
RM5.9  
BILLION**

**DIVIDEND  
11  
SEN**

## SUSTAINABILITY

Alongside our commitments to our shareholders, we are equally dedicated towards our sustainability efforts in the Economic, Environment and Social categories. As one of the leading conglomerates in the nation, we wholeheartedly believe that it is incumbent upon us to set the example in integrating sustainability across all Divisions and into every aspect of our operations.

The Group is heartened to note that our efforts have had a positive impact, not only in terms of creating more sustainable practices for how we do business, but also in fostering a symbiotic and mutually beneficial relationship within the communities in which we operate.

We are pleased to provide a holistic update on the Group's sustainability efforts for the year in our Sustainability Report.

## OUTLOOK

By all indications, Malaysia's growth momentum is set to continue in the coming year, underpinned once again by domestic demand and private consumption. The Government's move to reduce income tax for mid-range income groups will lead to households benefiting from higher disposable income, which is expected to further support this domestic growth trend.

The global economy is expected to see a more balanced outlook in the year ahead. This too will likely have positive spillover to the Malaysian economy, as investments as well as the commodities sector look to be on the rise.

On the whole, the market outlook for 2018 is a favourable one. Combined with the growth strategies that are in place, along with the strength of our talent pool, we are confident that the Group is well-positioned to capitalise on new opportunities and overcome any challenges that may lie ahead.

## ACKNOWLEDGEMENT

Our Board members have been invaluable in providing unparalleled leadership, expertise and insight as they guided the Group to greater heights. Similarly, our management and staff have demonstrated tenacity and drive in forging the Group's path toward success.

I would also like to express my appreciation to our major shareholder, Lembaga Tabung Angkatan Tentera, for continuing to lend Boustead Group your utmost trust and confidence. As always, we are deeply grateful to our shareholders, financiers, business associates, consultants and the regulatory authorities for their ongoing support.



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

Chairman

5 March 2018



“

ALL OUR **FINANCIAL INDICATORS** POINT TO THE FACT THAT OUR DIVISIONS HAVE **PERFORMED** ADMIRABLY”

# CHIEF EXECUTIVE'S

## REVIEW

DEAR SHAREHOLDER,

IT HAS BEEN AN EXCEPTIONAL YEAR FOR BOUSTEAD HOLDINGS BERHAD. WE CROSSED A SUBSTANTIAL MILESTONE OF OVER RM1 BILLION IN PROFIT BEFORE TAX, A FIRST FOR THE GROUP. THIS IS A HIGHPOINT IN OUR HISTORY, ACHIEVED AGAINST A BACKDROP OF TOUGH MARKET CONDITIONS DUE TO HEIGHTENED COMPETITION AND A CHALLENGING ENVIRONMENT THAT DEMANDS MUCH MORE FROM BUSINESSES TO REALISE THEIR GOALS.





**TAN SRI DATO' SERI  
LODIN WOK KAMARUDDIN**  
DEPUTY CHAIRMAN/GROUP MANAGING DIRECTOR

We are pleased that our Divisions have delivered such earnings. Once again, this attests to the fact that our diversified nature is the ideal structure for us to continue growing and seizing the business opportunities that lie ahead.

## FINANCIAL PERFORMANCE

Organic growth drove our profitability, coupled with disposal of lands. The opportunity to unlock value was timely, given that we would not have been able to garner such results if we were to maintain some of these land banks. On this premise, we recorded an outstanding profit before

tax of RM1.1 billion. Revenue grew by 20% compared with last year to a record RM10 billion. Profit after tax came in strongly as well at RM923 million. All our financial indicators point to the fact that our Divisions have performed admirably.

Leading the way was the Plantation Division, followed by the Trading & Industrial Division. The Heavy Industries Division marked a turnaround, while the Finance & Investment, Pharmaceutical and Property Divisions delivered solid results.

On the back of this exemplary performance and testament to our prudent management, shareholders benefitted from strong dividend yields and dividend payouts. Total dividend for the year is 11 sen per share, with a total payout of RM223 million. This represents a dividend yield of 3.8% based on the closing price for the financial year. The fourth interim dividend of 2.5 sen per share will be paid on 29 March 2018 to shareholders on the register as at 15 March 2018.

As we grow our businesses and improve our competitive edge in the various sectors that we operate in, we have successfully reduced our gearing ratio to 0.7 times (2016: 0.9 times). The Boustead Group is asset-rich and a gearing ratio of this nature is highly acceptable. Shareholders' funds have also grown to RM5.9 billion.

Despite strong fluctuations in commodities, the Plantation Division delivered a record profit of RM733 million, representing a profit contribution of 66% to the Group. This was driven by disposal of plantation lands. We chose to undertake this disposal as urbanisation is spreading at a rapid pace in certain areas where our plantation estates are located. It is important to note that we did not dispose of plantation lands to other players in the plantation sector. The disposal was one-off in nature, netting us a gain of RM555 million for 678 hectares of land. In tandem, the organic growth due to strong crop production and crude palm oil prices further boosted earnings.



The Trading & Industrial Division was the second strongest contributor, delivering a profit of RM132 million. This was propelled by Boustead Petroleum Marketing Sdn Bhd (BHPetrol), as a result of its business operations and logistical efficiencies. UAC Berhad and its group of companies further reinforced the Division's bottom line. The Division's profit contribution to the Group amounted to 12%.

The Heavy Industries Division posted an impressive turnaround, registering a profit of RM73 million. This was primarily due to improved performances by Boustead Naval Shipyard and MHS Aviation Berhad (MHS).

The Affin Group which is the primary contributor to the Finance & Investment Division did well during the year despite intense competition in the banking and finance sector. The Division recorded a profit of RM71 million compared with RM62 million in the previous year.



In the Property Division, our investment properties particularly in the retail sector have been plagued by an oversupply of shopping malls and excess office space in prime areas, which has clearly eaten into our profitability. The Division was impacted due to these conditions and as such delivered a profit of RM54 million.

The Pharmaceutical Division remains a mainstay of profitability for Boustead, posting a profit of RM54 million. This was supported by solid performances by the Division's various segments, particularly its Indonesian operations which have become a key driver given the sheer size and strong prospects of this thriving market.

## CORPORATE INITIATIVES

The Group had a busy year in terms of strengthening our fundamentals. We stand firm in our commitment to unlock the value of our businesses. In line with this, we are focused on ensuring effective usage of our land bank. Accordingly, we undertook the disposal of 678 hectares of plantation land with high development potential. As a result, we were able to realise the capital appreciation of the lands at a substantial premium. This subsequently enabled us to embark on the proposed acquisition of 11,600 ha of plantation land, which will see the Group substantially expanding our land bank.





Further to this, we are also acquiring 6.59 acres of prime freehold land in the heart of Kuala Lumpur on Jalan Cochrane, for residential development.

As part of our ongoing drive to tap the capital markets for efficient cost of funding, in 2017 we established an Islamic Medium Term Note Programme of up to RM2.5 billion in nominal value. We have raised RM1 billion which was successfully taken up by investors, with the remaining RM1.5 billion to be issued in the future. Proceeds will be utilised towards the replacement of bonds that will be due and for property development activities.

In a bid to improve its operational efficiencies, the Affin Group has undergone a restructuring. We are pleased that they have streamlined their corporate structure in order to create better organisational alignment. This investment is indeed a viable one for the Group and it bodes well that they have initiated this effort.

Continuing our strategy from prior years, we have taken active steps to review business strategies for companies within our portfolio which are not performing or are lagging behind. It is important that companies with potential are strengthened and transformed to contribute to the Group. Of course, we will not hesitate to review the business potential of the companies within our portfolio of investments.

Towards this end, we ceased operations of Boustead Sissons Paints Sdn Bhd and Boustead Engineering Sdn Bhd as we had spent a great deal of time and effort to revive the business prospects for these companies. However, given their loss-making record and lack of contribution, it was a prudent decision to bring these entities to a close. We assure our shareholders that on an annual basis, we will do the needful to improve the contributions of our various companies to the Group's bottom line.

## SUSTAINABILITY COMMITMENT

As the Group pushes forward, we appreciate the importance of ensuring that we grow and develop in a sustainable manner. This is all the more pertinent given our role as one of the leading conglomerates in Malaysia, as we strive to lead by example.

Over these past many years, we have instituted various policies and programmes in order to achieve this. This was formalised in 2016 with our inaugural Sustainability Report, which provided an overview of the key sustainability initiatives undertaken across our various business units.

Building on this, as part of our proactive approach to sustainability, we are mindful of the need to have a greater focus on materiality. This helps to identify areas of relevance not only for the Group but also for our stakeholders.

To this end, in our 2017 Sustainability Report, driven by our Sustainability Committee we have taken a conscious effort to address key material issues in Economic, Environment and Social areas. The initiatives carried out during the year are well in line with the Group's Sustainability Vision, Building a Legacy of Sustainable Growth as a Leading Diversified Conglomerate.

## OUTLOOK

We are heartened by the strong prospects that the Group is poised to leverage on. The year ahead will certainly bring its fair share of setbacks and challenges, particularly with heightened competition in many of the sectors that we are thriving in. We are confident of our track record and the fundamentals that your Group has in place.

To pursue our growth plans, in 2018 we have committed capital expenditure in the region of RM1.3 billion. Of this, we have allocated approximately RM675 million for the proposed acquisition of plantation land and RM430 million to expand our land bank for property development activities. The remaining capex will be utilised to reinforce our presence in the hospitality sector, particularly for Royale Chulan Cherating. Funds will also go towards shoring up our position in the plantation sector by upgrading our estates and mills. We are always on the lookout to acquire viable businesses and have allocated a portion of the capex as part of our war chest for potential acquisitions.

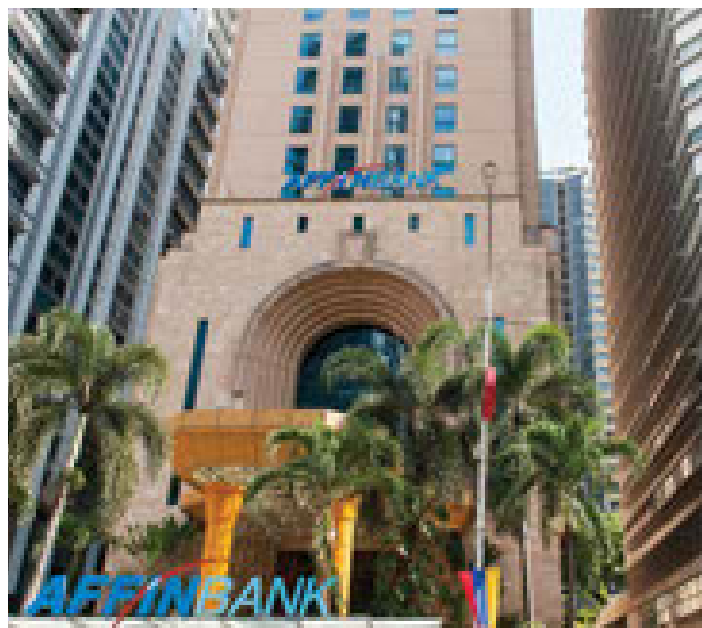


UAC is the main contractor for affordable housing in Bukit Jalil

As for our various business segments, we are bullish on the Plantation Division, with the proposed acquisition of plantation land amounting to 11,600 hectares (ha) which is expected to be completed by the second quarter of 2018. This will leapfrog our land bank by a considerable 14% to 93,400 ha. This latest acquisition that we are pursuing is indeed scarce in Malaysia, given that land banks of this size are few and far between. This is an extremely viable acquisition, especially given the robust age profile of the estates. The fact that they are strategically located in close proximity to our existing estates will also provide economies of scale.

While this may not result in immediate yields, we are taking a long-term position. As a forward-thinking Group with a track record of over a century in the plantation sector, we are conscious of the need to plan for our future growth.

The Heavy Industries Division continues to see good progress in the Littoral Combat Ship project as well as the Littoral Mission Ship project. Operational efficiencies have also been strengthened. Apart from this, MHS Aviation Berhad now has better visibility in terms of settlement for the termination of a joint operations contract, which is a positive development.





In our Trading & Industrial Division, we are focused on expanding our network of BHPetrol retail petroleum stations. This investment has certainly flourished over the years. The retail petroleum industry has also greatly transformed and evolved, now providing convenience stores, drive-ins and other one-stop services to engage customers. We are at the forefront of delivering this to customers and will leverage on the strong potential of these services. Additionally, UAC Berhad was appointed as the main contractor for Lembaga Tabung Angkatan Tentera and Perumahan Penjawat Awam 1Malaysia's affordable housing project in Bukit Jalil, which is expected to further support the Division's performance.

The entire banking and finance sector is undergoing rapid changes with the introduction of fintech and the evolution of services. Consumers are demanding more and demanding it now. The Affin Group which is a core driver in the Finance & Investment Division has performed well and we expect this to continue in the coming year.

Our Property Division benefits from assets that are second to none. This includes property investments that are strategically located in retail and commercial hubs along with office towers. We are confident that our prime portfolio of properties will bear fruit over the long-term. We have also planned for launches in our township in Johor, our new Mutiara Hills township, our One Cochrane condominium project and a commercial building in our signature development in Mutiara Damansara.

Tapping into the vast prospects of the healthcare sector, the Pharmaceutical Division is focused on expanding its presence, both domestically and in the international marketplace. Along with ongoing research and development into new products, we are bullish on the prospects that Indonesia holds for Pharmed. To this end, we are increasing our energy and resources to grow market share in Southeast Asia's largest country.

On the whole, we are optimistic that the year ahead will be a much better one for the Group. The socioeconomic and political stability of our nation will certainly be a contributing factor. The Group is exploring numerous opportunities to strengthen organic growth and, for the right reasons, enter into new business ventures.

To do this, we have taken great strides to build our talent pool by grooming young business leaders who are taking the helm of various businesses of the Group. We are pleased with their performance and they are indeed part and parcel of our corporate culture.

We would like to assure our shareholders that our commitment is second to none. We will redouble our efforts to unlock value and deliver results, especially for our shareholders who have been loyal to us over these many years.

In the ensuing pages, there is a detailed elaboration of how our Divisions have performed and prospects ahead. This is followed by a thorough analysis of our sustainability efforts. We have expanded our sustainability cause far and wide, permeating every facet of our organisation. I trust you will find the respective reports insightful.

Boustead would not have been able to achieve such excellent results without the combined efforts of a myriad of parties. Our deepest gratitude to our shareholders as well as our host of customers, both institutional and consumers in general. And of course, to all the regulatory authorities, thank you for your unwavering support.



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

Deputy Chairman/Group Managing Director

5 March 2018

# PLANTATION DIVISION







## KEY DEVELOPMENTS

PROPOSED LAND ACQUISITION

**11,600** HA

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LAND DISPOSAL

**678** HA

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The Plantation Division was once again a major contributor to the Group, registering a profit of RM733 million, a significant increase compared with RM276 million in the previous year. This was primarily attributable to gains realised on disposal of plantation land amounting to RM555 million. The Division also registered a stronger operating profit as a result of better crop production and higher crude palm oil (CPO) prices.



### MARKET REVIEW

It was a positive start to the year, with CPO prices rising above RM3,200 per metric tonne (MT) in the first two months. However, this was subsequently impacted by market conditions in the palm oil sector which put pressure on prices, including increased CPO production and significant soybean crop in South America and the United States.

The CPO market saw a recovery in September as prices rallied to RM2,900 per MT due to lower than expected palm oil production. This was primarily attributable to a decline in oil extraction rate (OER), reduced yields, a higher number of old lower-yielding palms, as well as labour shortages.

Nevertheless, market sentiment weakened in the final quarter of the year following the Indian government's sudden increase in import duties on edible oils, which led to a drop in CPO prices to RM2,400 per MT. Further compounding this was the European Union's (EU) move to phase out the use of palm oil-blended fuels. Malaysian exports experienced a slowdown as palm oil inventories grew to 2.73 million tonnes in December, the highest in over two years.

For the year under review, we registered an average CPO price of RM2,810 per MT, a 9% improvement compared with RM2,584 in the previous year. Average palm kernel price increased to RM2,505 per MT from RM2,460 last year.

REVENUE

**RM760**  
MILLION

PROFIT  
BEFORE TAX

**RM733**  
MILLION



## ESTATES AND MILLS

The Group's total land bank amounts to 81,800 hectares (ha), comprising 41 estates and 10 palm oil mills across Peninsular Malaysia, Sabah and Sarawak. Area under cultivation for the year stood at 65,000 ha, consisting of 59,100 ha of mature areas and 5,900 ha of immature areas.

Fresh fruit bunches (FFB) production increased by 7% to 973,513 MT, with higher average yield per ha of 16.7 MT from 15.6 MT in the previous year. The key contributor was our Peninsular estates, which recorded an average FFB yield of 19.4 MT per ha, an improvement from the previous year. This was achieved on the back of better production from the northern estates and young mature palms on the east coast estates.

Our Sabah estates registered a higher average yield of 17.3 MT per ha. Although production was hampered by adverse weather conditions, solid performances from Segaria and G&G Estates amongst others contributed to the improved yield. Resort Estate achieved impressive yields for 2017 supported by sufficient harvesters and new harvesting tools.

Average yield for our Sarawak estates came in at 10.8 MT per ha. Harvesting operations were impacted by extremely high rainfall, labour shortages, as well as ongoing native customary rights land disputes and blockades in Kelimut, Maong, Sungai Lelak and Bukit Limau estates. The blockade at Sungai Lelak Estate was successfully removed and we undertook rehabilitation works to normalise operations. However, while harvesting operations resumed in July 2017, this was impacted by a shortage of harvesters.

The processing capacity of our 10 palm oil mills stood at 425 MT FFB per hour. Our mills processed a total of 1,080,390 MT FFB in the year under review, of which 85% comprised fruits from our own estates.

Average FFB production cost was higher at RM313 per MT, mainly as a result of costs incurred to meet Roundtable on Sustainable Palm Oil standards, increased minimum wages, as well as reconstruction and maintenance of access roads in our Sabah estates. Milling cost increased to RM78 per MT while average palm oil production cost rose to RM1,731 per MT.



*Biological pest control measures using barn owls*

CPO production grew by 4% to 226,843 MT and palm kernel production was 46,896 MT, up by 6%. Average OER saw a marginal decline to 21%. However, this was higher than the Malaysian Palm Oil Board's (MPOB) national average of 19.7%, a reduction from 20.2% last year, reflecting an overall drop in OER across the country. Kernel extraction rate was 4.3%, consistent with last year, although this was lower than the MPOB average of 4.9%.

Sungai Jernih Palm Oil Mill was our top performer for the year, achieving the highest OER of 23.8%. This was closely followed by Segaria Palm Oil Mill in Sabah with an OER of 23.2%.

Productivity and efficiency improvements across our estates continue at a heightened pace via the mechanisation of our FFB harvesting and collection. This includes the usage of lighter hybrid carbon fibre poles for harvesting in tall palm areas and motorised cutters for young palms where terrain permits.

To further improve accessibility into areas with narrow terraces or soggy grounds, compact flotation tyre transporter vehicles were used for in-field FFB collection and to facilitate mulching of empty fruit bunches. Additional mini-tractors were mobilised for FFB collection in hilly areas. We have in place at five of our estates bin transportation systems, which are integrated with in-field and main-line mini tractors for crop evacuation, to further reduce manual labour requirements.

In addition, we introduced a smart fertiliser spreader which features in-built calibration equipped with sensors and a Global Navigation Satellite System (GNSS) as well as internet capabilities at our Telok Sengat Estate.

Building on our success from using barn owls to curb the rat population at our Peninsular estates, we implemented this at our Sabah estates. This biological pest control measure has shown positive results in reducing the rat population and generating savings for chemical baiting.

## RESEARCH & DEVELOPMENT

Our associate company, Applied Agricultural Resources Sdn Bhd (AAR), continues to drive our research and development initiatives, which are focused on enhancing efficiency and yields in a sustainable manner.

AAR's oil palm breeding programme has produced clonal and semi-clonal planting materials with superior oil yields. As a clear reflection of this, the next generation AA Hybrid II planting materials have potential to achieve oil yields that are 15% higher than AA Hybrid I and 57% higher than AA DxP, our first-generation planting materials. The Division currently has 21,916 ha planted with high oil-yielding clonal planting materials.

Our efforts are ongoing to prevent the spread of pathogens, particularly on mitigation of Ganoderma infection. Research into the use of beneficial microbes to enhance oil palm growth is also underway. Fields trials are currently taking place, with results indicating that it is possible to reduce fertiliser usage by as much as 25% by inoculating endophytic microbes to young palms.

We continue to utilise GPS technologies in our oil palm agro-management. We are also using drones in our oil palm estates for field mapping, palm census and monitoring purposes.



*Demonstration of smart fertiliser spreader application*

## OUTLOOK

We are focused on enhancing efficiencies across our operations, coupled with strategic expansion of our land bank to strengthen our earnings potential. In line with this, the proposed acquisition of 11,600 ha of plantation land within the district of Labuk and Sugut in Sabah is indeed a viable opportunity, enabling the Division to increase our total land bank by 14% to 93,400 ha.

With the estates located in close proximity to our existing estates, we will be able to achieve greater economies of scale. Moreover, the estates have a robust age profile, comprising 64% oil palms in their prime maturity between 10 to 20 years and 10% young mature palms between 4 to 9 years. This certainly augurs well for our long-term growth prospects.

As part of our balanced growth strategy, we are conscious of the importance of efficient usage of our land bank. To this end, we have undertaken a proposed land disposal comprising 139 ha in Seberang Perai Utara, Pulau Pinang, in addition to our previous disposal of 678 ha of land. Due to its high development potential, we are able to realise the capital appreciation of the land at a premium.

Our ongoing replanting exercise ensures that we are able to drive yields and profitability. In 2018, we aim to complete the replanting of 2,400 ha of oil palm.

In the year ahead, the CPO market is expected to be impacted by challenges, including higher palm oil production which is predicted to outpace consumption. Abundant crops for other edible oils are also anticipated to put pressure on CPO prices.

Nevertheless, we are optimistic that the Division will be able to remain resilient. While the resolution by the EU to ban palm oil-based fuel by 2020 has impacted the market, we are encouraged by the actions taken by the Governments of Malaysia and Indonesia to resolve this.

The Malaysian Government's move to suspend export taxes for the first three months of the year has eased pressure on palm oil stockpiles, which is expected to support CPO prices in the near term. Over the long term, Indonesia's biodiesel mandate and increasing consumption of palm-oil blended fuels is predicted to absorb higher volume of palm oil stock and boost CPO prices.

Moving forward, we are confident we will be able to drive sustainable growth by leveraging on our strengths and unlocking further value for the Division.

# PROPERTY DIVISION



WDA

WDA

BERJAYA TRUST SQUARE

FUTURE BERJAYA TRUST SQUARE

FUTURE OFFICE



## KEY DEVELOPMENTS

TAMAN MUTIARA RINI

**536 UNITS**

LAUNCHED

ONE COCHRANE RESIDENCES

**448 UNITS**

TO BE LAUNCHED



Building on its strong portfolio of assets, the Property Division undertook to unlock value and drive long-term prospects for the Group. However, amid challenging market conditions and high start-up costs of our investment in MyTOWN Shopping Centre, the Division registered a lower profit of RM54 million in 2017. This was compared with a profit of RM324 million last year, which benefitted from a gain of RM210 million arising from the disposal of an associate company.



*Aerial view of Taman Mutiara Rini in Johor*

### PROPERTY DEVELOPMENT

This segment of our business recorded a profit of RM64 million. It was driven by strong demand for our residential properties in Taman Mutiara Rini, Johor.

Taman Mutiara Rini continued to see a good take-up rate for all launches in 2017. We successfully launched 536 units during the year, primarily comprising double storey terrace houses and shophouses at affordable prices. The well-planned township, first launched in 1996, draws buyers who appreciate gated communities and proximity to facilities such as schools, parks and retail centres.

The year saw the start of works on our third township development project, Mutiara Hills, located in Semenyih, Selangor. We commenced earthworks for this 240-acre mixed development project, which is strategically located in close proximity to the University of Nottingham Campus.

In our thriving Mutiara Damansara township, construction of our latest office development, Nucleus Tower, is progressing well. As a result of the modern and sustainable features incorporated within the building design, this iconic office tower will be certified with Green Building Index Gold accreditation and have MSC status.





*One Cochrane Residences Sales Gallery*



*Nucleus Tower, Mutiara Damansara*

At our One Cochrane Residences condominium project, the Sales Gallery has been completed. The condominium project has drawn strong interest from the market with the Sales Gallery now open. A total of 448 condominiums will be launched in 2018.

We remain focused on tapping into opportunities to develop our existing land bank. To this end, earthworks are underway for our industrial development land in Bukit Raja, Klang.

In addition, we acquired 6.59 acres of land in Jalan Cochrane which is earmarked for residential development.

## PROPERTY INVESTMENT

Our property investment segment posted a profit of RM6 million during the year under review. This was attributable to challenging internal and external factors, including start-up costs for MyTOWN Shopping Centre in its first year of operations and weaker consumer spending which impacted the retail sector.

Despite the demanding backdrop, we made good progress on our investment properties during the year as a result of our portfolio of properties in prime locations and our efforts to constantly refresh our tenant mix.

Our retail investment properties in Mutiara Damansara, the Curve and eCurve, maintained a dedicated following of patrons. In order to drive shopper traffic, we welcomed several exciting new outlets at the Curve. This included top international brands such as Machines, Smiggles, Galito's Flame-Grilled Chicken, Hot Wings, Typo and Hamleys. This is in line with the rebranding exercise we are undertaking to remain relevant in the crowded retail arena.

## REVENUE

**RM596  
MILLION**

## PROFIT BEFORE TAX

**RM54  
MILLION**



*MRT pedestrian link at MyTown*

Along with this, our shopping malls played host to a number of significant events, such as roadshows by Greenpeace and the World Wildlife Fund.

While there have been an increasing number of new shopping malls in the Klang Valley, MyTOWN Shopping Centre stands apart. The Group has a 50% interest in this asset. Having opened to the public in March 2017, the 1.1 million square-foot mall has since enjoyed growing footfall, leveraging on the strong appeal of its anchor tenants and renowned global and local retailers including one of the largest IKEA stores in Malaysia, Parkson Department Store, Golden Screen Cinemas, Village Grocer, Zara, Uniqlo and many others.

Coupled with its location in the heart of Kuala Lumpur in the prime area of Jalan Cochrane, MyTOWN Shopping Centre is highly accessible, particularly with the opening of the underground pedestrian walkway which links the Cochrane Mass Rapid Transit (MRT) Station directly into the mall in December 2017.

Meanwhile, indoor theme parks KidZania Kuala Lumpur and KidZania Singapore, in which the Group holds a minority investment, continued to attract visitors, especially during the holiday season.

## HOTELS

Competition has certainly intensified in the tourism sector, on the back of new players coming into the market and increasing pressure on pricing.

Our stable of hotels was impacted by this challenging environment. While we recorded growth in revenue for our Royale Chulan Penang and Royale Bintang Kuala Lumpur, this was moderated by increasing competition in the prime areas of Kuala Lumpur and Penang.

As part of our drive to remain competitive and elevate the appeal of our hotels, we are undertaking various measures such as the refurbishment of Royale Chulan Curve. At our Royale Chulan Damansara, we are expanding the ice skating rink with the aim of promoting our recreational activities.

Our Royale Chulan Cherating Resort which officially opened in February 2017 has seen an encouraging response. The five-star resort comprising 18 villas and 17 suites offers attractive holiday packages to guests including beachfront activities such as windsurfing and kayaking.



*Royale Chulan Penang*

## OUTLOOK

While the property sector is expected to see demanding market conditions, we are focused on leveraging on our strengths to weather this. With its attractive portfolio of properties, we are positive that this Division will contribute to the long-term growth of the Group and enable us to remain resilient.



Our property development projects are progressing well, with our new township development Mutiara Hills proceeding as planned. Meanwhile, Nucleus Tower is set to receive its Certificate of Completion and Compliance in 2018. We hope to launch industrial lots in our Bukit Raja development as well.

With MyTOWN Shopping Centre fully operational and the newly opened MRT pedestrian link enhancing connectivity, we expect to see improved contributions from the shopping mall in the year ahead.

Our One Cochrane Residences is also targeted to launch in 2018 and we are confident that this will further raise the Division's profile as a leading developer.

As for our hotel operations, we are optimistic that our ongoing refurbishment and renovation efforts will bear fruit.

In tandem with strengthening our existing portfolio, we are actively pursuing opportunities to expand our land bank and recently embarked on the acquisition of a prime parcel of freehold land located along Jalan Cochrane in Kuala Lumpur, totalling 6.59 acres. The land has been earmarked for high-rise residential development, with an expected gross development value of approximately RM1.1 billion.

With its strategic location in the heart of the city and its close proximity to public transportation hubs as well as key shopping areas, the Jalan Cochrane land represents significant potential and value in terms of a residential development.

With these plans in place, we are confident that the Division will remain a key contributor to the Group.



Royale Chulan Cherating

# PHARMACEUTICAL DIVISION





## KEY DEVELOPMENTS

HALAL CERTIFIED PRODUCTS

**>60**

PRODUCTS

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PRODUCT RANGE

**>30**

NEW PRODUCTS REGISTERED

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The Pharmaceutical Division was a solid contributor to the Group's bottom line, turning in a profit of RM54 million. This marks an improvement compared with the previous financial year, primarily supported by stronger contributions from the Division's overseas operations.



Puchong plant

### MANUFACTURING

The Manufacturing segment's profitability-enhancing initiatives had a positive impact on cost optimisation. This allowed the segment to register a profit of RM75 million amidst a challenging operating environment.

In line with our efforts to propel sustainable growth of our manufacturing operations, we undertook several key initiatives at our seven sites to improve manufacturing processes and efficiencies. The commissioning of new machines enabled us to enhance our production output and bring down our changeover time.

We further enhanced procurement methods, which saw us achieve cost savings as a result of strategic negotiations with our vendors. Our improvements to operational excellence enabled us to maintain competitive pricing for our superior quality products.

In 2017, the segment's plant in Puchong achieved a major milestone as the nation's first pharmaceutical plant to install and commission freeze drying technology for the lyophilisation of small volume injectable pharmaceutical products. We were able to achieve this feat by completing a stringent qualification process.

REVENUE

RM2.3  
BILLION

PROFIT  
BEFORE TAX

RM54  
MILLION



*SweetRoyale Stevia, anchor product for Community Pharmacy*

Consistent with our long-term strategy to strengthen our business streams with viable investments, we entered into a strategic partnership with Paradigm Industry Sdn Bhd. As a result of this, we now have the capacity to manufacture Stevia-based products and have introduced SweetRoyale Stevia as an anchor product for our Community Pharmacy. This natural sweetener is easily available through e-commerce sites including, [www.royalepharma.com](http://www.royalepharma.com), Lazada, Shopee and 11street.

In line with our aim to establish ourselves as a leading international provider of Halal pharmaceuticals and medical devices, we have heightened production of our Halal certified products, with more than 60 new products added to our portfolio in 2017 alone, bringing the total to over 90.

Through our focus on expanding our Halal business stream, we are playing our part to strengthen Malaysia's position as a global Halal hub. We are assisting Jabatan Kemajuan Islam Malaysia (JAKIM) and Department of Standards Malaysia to develop the Malaysian Standard for Halal Medical Devices - General Requirements. Once the Standard comes into effect, we will be able to attain Halal certification for our medical devices, providing us with further means to capitalise on the exciting opportunities available in the Halal industry.



*PT Errita Pharma plant in Bandung, Indonesia*

### LOGISTICS & DISTRIBUTION

The Logistics and Distribution segment was reinforced by strong growth for our international business operations. Ensuing from our continuous efforts to grow our non-concession business, this market segment contributed 51% to the Division's revenue for the fiscal year while the concession business contributed 49%.

We prioritised customer satisfaction as evidenced by our attainment of 99% order fulfilment for Ministry of Health (MOH) facilities throughout Malaysia. Overall, 95% of all orders were delivered within a shorter period.

In the same vein, our Customer Care Call Centre was able to achieve a success rate of 93% for incoming calls answered within three rings. Moreover, we received primarily 'Excellent' and 'Good' responses for the Customer Satisfaction Surveys we organised for our key clientele as part of our efforts to keep a close eye on our service levels.

Reflecting the consistently high level of services we provide, we further expanded our clientele to the Ministry of Home Affairs, the Ministry of Higher Education and Institut Jantung Negara.

Our generic pharmaceutical products performed well with positive growth in prescription volumes. Our Aspira respiratory product and Ignyde urology product commanded a significant market share of 50% and 55% respectively.

We embarked on several initiatives to ensure that the quality of our products is sustained across the supply chain. We implemented exacting requirements for our vendors to safeguard the quality of all deliveries.

Additionally, our transportation vehicles were equipped with temperature control systems. These measures assisted us in meeting the stringent requirements of Good Distribution Practice.

### INDONESIA

We made significant strides in 2017 to build our presence on the international stage, led by our Indonesian operations.

Our listed subsidiary in Indonesia, PT Millennium Pharmacon International Tbk (MPI), saw a 15% increase in sales mainly driven by its medical products, registering a revenue of IDR2.1 trillion or RM690 million. Our manufacturing facility driven by PT Errita Pharma also recorded a turnaround in its results.





PT MPI staff at their new warehouse in Cakung, Jakarta

MPI's acquisition of 15% equity interest in PT Errita Pharma marks a new phase of growth for the segment. As a result of the synergies derived from this strategic acquisition, MPI now has access to high quality and affordable medicines to boost its generic drugs portfolio and penetrate the upstream market.

This has opened up prospects for the segment, enabling us to capitalise on the implementation of Indonesia's National Health Insurance Scheme to venture into the government and private hospital markets.

As part of our growth strategy for the Indonesian market, we expanded our product range to include more than 10 new products in 2017, with more than 20 new products submitted for registration.

Additionally, we submitted our bio-collagen wound care management products to the regulatory agency in Indonesia for approval, consistent with our strategy to increase our presence in Indonesia.

## RESEARCH AND DEVELOPMENT

Our research and development (R&D) efforts are core to our growth in the fast-evolving pharmaceutical sector. Consistent with our focus on fortifying our stable of products through innovation, more than eight products were approved by the National Pharmaceutical Regulatory Agency. This new development brings us closer to our goal of developing more than 250 products by 2024.

We are committed to ensuring the quality, safety and efficacy of all our products. All our generic products undergo bioequivalence studies, ensuring that our generic products are bio-equivalent to the innovator products and are clinically interchangeable. To date, more than 65 Pharmaniaga products conform to the required bio-equivalent status, with more in progress.

Moreover, we employ stringent clinical investigations, clinical reviews on product quality and pharmacovigilance initiatives throughout all our manufacturing facilities. We are currently in the midst of updating our pharmacovigilance system to align with the latest Malaysian Pharmacovigilance Guidelines.

Our phytomedicine projects for the development of two products utilising local herbs - Kacip Fatimah (KF) and Patawali progressed steadily. We were able to trademark and patent our KF finished products in Malaysia and the United States of America. Our Pharmaniaga KF extraction method has been trademarked as unique and capable of producing high quality extracts. Our next step is to patent more features of the KF project.

We have undertaken pre-clinical tests in an accredited OECD GLP research laboratory in Australia for our patented KF extract. Data from the pre-clinical tests validates the superior quality of our extract, which conforms to international regulatory standards.

Moving forward, we look to establish the KF finished product as a safe, high quality and effective phytomedicine that aids in improving women's health and vitality.

## OUTLOOK

Rising awareness on the importance of healthcare along with the increasing access to healthcare globally bodes well for the Pharmaceutical Division.

This is further sweetened by the Malaysian Government's focus on the growth of the healthcare sector as evidenced by the allocation of RM27 billion for the MOH as part of the 2018 National Budget.

As an industry leader, we are well placed to tap into the vast prospects the sector holds to propel sustainable growth.

We commenced the 2018 fiscal year on a strong note on the back of a price revision for our concession agreement with MOH. The revision entailed the expansion of our product list by more than 700 items. The price revision to the 2017-2019 Approved Products Purchase List is expected to have a positive impact on gains in 2018.





Propelling product innovation remains a key focus as we push forward to create innovative, high quality products that cater to customer needs.

Our collaboration agreement for the supply of a new Hepatitis C treatment for Malaysians is a momentous milestone for the Division and the Group. This will allow us to strengthen our position as the region's pharmaceutical manufacturer of choice.

Apart from furnishing us with distribution rights for the region, the collaboration will also enable us to capitalise on the transfer of technology. Importantly, we will be manufacturing a treatment regime that is expected to cost less than US\$1 per day, allowing us to contribute to providing greater access to safe, effective and affordable treatment for Hepatitis C.

Tapping on the prospects of the Halal sector, we signed a Memorandum of Collaboration for the development of Halal vaccines with the Technology Depository Agency (TDA) under the Ministry of Finance Malaysia and Hilleman Laboratories, a joint venture between Merck & Co and Wellcome Trust Foundation.

We will continue to seek out strategic partnerships that are not only beneficial to the Division, but also allow us to play our part in the growth of the nation's healthcare sector for the benefit of all Malaysians.

# HEAVY INDUSTRIES DIVISION





## KEY DEVELOPMENTS

KEEL LAYING CEREMONIES FOR  
**LCS 2 & LCS 3**

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NAMING AND LAUNCHING OF  
**MAHARAJA LELA**

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## HEAVY INDUSTRIES DIVISION

The Group's Heavy Industries Division reported a turnaround in its results for the year, recording a profit of RM73 million compared with the previous year's deficit of RM120 million.

The Division's revenue grew by 69%, primarily driven by higher billing for the Littoral Combat Ships (LCS) project and ship repair projects, as well as the recognition of revenue from the Littoral Mission Ships (LMS) project.

### REVENUE

**RM1.7  
BILLION**

### PROFIT BEFORE TAX

**RM73  
MILLION**



*Naming ceremony of MAHARAJA LELA*

**Boustead Heavy Industries Corporation Berhad (BHIC)** registered a lower profit of RM12 million. This was mainly due to weaker contributions from a joint venture company, which impacted results.

**Boustead Naval Shipyard Sdn Bhd (BN Shipyard)** posted a higher profit of RM29 million. This was achieved by virtue of the fact that we are making accelerated progress for the LCS project, as well as the reversal of provision for Liquidated Ascertained Damages on ship repair projects.

## DEFENCE & SECURITY

Kick-starting a year of milestones for the LCS project driven by BN Shipyard was the keel laying ceremony for LCS 2 held in February 2017.

This was followed by the naming and launching into water of the first LCS unit named MAHARAJA LELA in August 2017. The momentous event took place in the presence of Sultan of Perak Darul Ridzuan, DYMM Sultan Nazrin Muizzuddin Shah, DYMM Raja Permaisuri of Perak Darul Ridzuan, Tuanku Zara Salim, YB Dato' Seri Hishammuddin Tun Hussein as well as other dignitaries.

Closing the year was the keel laying ceremony for LCS 3 in December 2017.

Additionally, we received a letter of acceptance from the Ministry of Defence (MINDEF) for a contract to supply four units of LMS for RM1.17 billion. The first of two ships will be built in China through a first-time collaboration between BN Shipyard and China Shipbuilding & Offshore International Co Ltd. Through this project, the Group's personnel along with the Royal Malaysian Navy (RMN) will be exposed to the intricacies of building the LMS. The basic design of the LMS was completed in 2017.



The Division provides a wide range of maintenance, repair and overhaul (MRO) services for RMN vessels and commercial ships. This covers military and commercial surface vessels, submarines, helicopters and critical equipment such as combat management systems and essential control systems, defence electronics, weaponry, electrical equipment and engines.

During the year, we undertook repair and refit works for KD PAHANG, KD SRI INDERASAKTI, KD JEBAT, KD GANYANG, KD MAHAWANGSA and TRV TEGUH SAMUDERA.

In line with the Division's transformation initiative aimed at improving operational efficiencies, we achieved the on-schedule completion of refit works for KD LEKIU and KD KELANTAN, which were delivered to RMN in April 2017. This achievement was a significant milestone for the Group as it marked the first simultaneous handing over of two vessels in BN Shipyard's history.

As part of Phase 3 of the BN Shipyard Rationalisation Programme, experts from Daewoo Shipbuilding and Marine Engineering of South Korea, one of the world's largest shipyards, assisted in production planning, production engineering and pallet management for our BN Shipyard. This resulted in cost savings amounting to RM9.6 million in 2017 while we were also able to deliver the refitted KD MAHAWANGSA two days ahead of schedule.

We provide the full-spectrum of In-Service Support (ISS) that ensures the optimal operational availability of critical defence assets. Boustead DCNS Naval Corporation Sdn Bhd provided ISS to KD TUNKU ABDUL RAHMAN and KD TUN RAZAK, the two RMN Scorpene submarines. Refit works for the two submarines are currently ongoing.

The merger of BHIC Defence Techservices Sdn Bhd (BDTS) and BHIC Electronics and Technologies Sdn Bhd saw the restructuring and rebranding of BDTS as a 'one-stop centre' for combat management systems MRO. As a result, BDTS is now focused on MRO works for weapons, sensors and electronics systems.

The newly restructured BDTS received a Letter of Award from MINDEF for the supply and delivery of a communication suite for Squadron 23rd Frigate of the RMN. The two-year contract is valued at RM19.5 million.

In addition, BDTS delivered naval guns and a communications and navigation system for KD PAHANG as well as three units of Army Skyguard Radars (Air Defence System), torpedo launchers and a communications and navigation system for KD LEKIU. BDTS also undertook the maintenance and supply of spare parts for Skyguard Radar and 35mm Oerlikon guns for the Malaysian Army.



*MRO services for RMAF, MMEA and RMN helicopters*

BHIC AeroServices Sdn Bhd (BHICAS) undertook and completed MRO works on six units of RMN's Fennec AS555SN helicopters in 2017. MRO works on the Malaysian Maritime Enforcement Agency's (MMEA) AS365N3 helicopters are ongoing. In addition, BHICAS received a Letter of Award from the Government in July 2017 for the extension of the Royal Malaysian Air Force EC725 ISS contract by three years. The extension will run until 31 March 2020 with an additional contract value of RM215.0 million.

### COMMERCIAL

The commercial shipbuilding segment faced further pressure amidst the slowdown in the sector. However, we were only involved in several commercial MRO projects during this period.

Boustead Langkawi Shipyard Sdn Bhd undertook MRO works on white boats and local ferries during the year. We also completed Docking for Essential Defect works on RMN's KLD TUNAS SAMUDERA, with the ship delivered to RMN ahead of schedule. We are encouraged by the possibility of supplying small vessels to MMEA and are looking into this prospect.

In addition, BHIC Shipbuilding & Engineering Sdn Bhd and Boustead Penang Shipyard Sdn Bhd secured several small-scale MRO works during the year.

The Group continues to be involved in the design of a 60-metre 60-tonne Anchor Handling Tug Supply Vessel. This will be the first Malaysian-designed Offshore Support Vessel under the Government's Entry Point Project for the shipbuilding and ship repair segment.



*Ship repair work at Boustead Langkawi Shipyard*



## ENERGY

The oil and gas industry was impacted by ongoing challenges in terms of long-term uncertainties amidst low oil prices and scale back in capital expenditure by PETRONAS and other oil majors. The segment benefitted from the conditional approval of variation orders and reimbursement claims for the Belum Topside project.

**MHS Aviation Berhad (MHS)** is in the midst of finalising settlements with its main clients, PETRONAS Carigali Sdn Bhd, ExxonMobil Exploration and Production Malaysia Inc, Sapura Exploration and Production (PM) Inc and EQ Petroleum Production Malaysia Ltd. This positively impacted the segment's results.



## OUTLOOK

The Malaysia Shipbuilding and Ship Repair Strategic Plan 2020 and Malaysia Shipping Master Plan were formulated to promote the sustainable growth of the industry while providing Malaysia with a competitive edge in the region.

Looking ahead, the Heavy Industries Division will leverage on the operational efficiencies achieved as a direct result of our transformation initiatives as we move forward amidst challenging market conditions.

Our Defence and Security segment is expected to contribute positively due to the many defence contracts that are now part of our order book. The Group is encouraged by the trust placed in us by the Government as evidenced by these contracts.

The first LCS unit is expected to be completed in 2019 and the first LMS unit is expected to start construction in the latter half of 2018. The LMS will be part of the five core asset classes in RMN's armada in line with its 15 to 5 Transformation Plan. RMN's 15 to 5 Transformation Plan to reduce its asset classes is expected to bode well for the Group, as it indicates the commissioning of new vessels and more MRO works for our shipyards.

Providing support for the nation's critical assets remains a key focus in 2018. At the same time, we will pursue other potential contracts particularly with the Royal Malaysian Police and MMEA, while actively exploring regional prospects.

As we move forward, we look to capitalise on collaborations and joint ventures in the oil and gas services and equipment sector to diversify the Energy Division's income base.

# FINANCE & INVESTMENT DIVISION





## KEY DEVELOPMENTS

INTERNATIONAL VESSELS DOCKED  
AT BOUSTEAD CRUISE CENTRE

**261**

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AFFIN HOLDINGS BERHAD  
AND AFFIN BANK BERHAD  
**REORGANISATION  
EXERCISE**

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## FINANCE & INVESTMENT DIVISION

The Finance & Investment Division posted an improved profit of RM71 million compared with RM62 million last year. This was mainly as a result of reduced net finance costs for Boustead Holdings Berhad arising from lower borrowings due to utilisation of proceeds from the rights issue. This was achieved despite reduced share of results from the Affin Group to the Division.



*Affin Bank Group participates at LIMA'17*

### PROFIT

**RM71  
MILLION**

### TOTAL ASSETS

**RM2.9  
BILLION**

**Affin Group** registered a profit of RM698 million, contributing a profit of RM106 million to Boustead.

Affin Holdings Berhad (AHB) and Affin Bank Berhad (ABB) undertook a reorganisation exercise in 2017 which saw the positioning of ABB as the new holding company of the reorganised Affin Group. This also entailed AHB's listing status on the Main Market of Bursa Malaysia Securities Berhad being transferred to ABB. The transfer of listing status was completed on 2 February 2018, with the withdrawal of AHB's listing status and admission of ABB to the Official List of Bursa Securities.

The reorganisation allows for the simplification of Affin Group's shareholding and corporate structure. This creates greater opportunities to enhance efficiencies and enables ABB to spearhead Affin's growth.

**Affin Bank Berhad** recorded a reduced profit of RM551 million. This was attributable to increased overhead expenses and higher loan impairment.

The Bank advanced in the second phase of its three-year AFFINITY programme, which is aimed at strategic transformation to improve performance and operating efficiencies. Phase 2 involves building digital banking capabilities with enhanced analytics to strengthen customer engagement, expand targeted growth segments, drive productivity through automation and enhance customer experience.



As part of its objective to develop a comprehensive digital banking platform, the Bank embarked on a collaboration with Fullrich Malaysia Sdn Bhd, a local financial technology solutions provider, and Cyberview Sdn Bhd, to launch Malaysia's first collective-driven e-wallet, TaPay. A mobile application, TaPay reduces the need to carry cash, credit cards, rewards programme cards and receipts.

In line with Bank Negara Malaysia's Financial Sector Blueprint which calls for financial institutions to expand Islamic financing portfolios to 40% by 2020, the Bank's Priority Islamic Policy (PIP) surpassed targets for the year. The PIP now comprises 34% of the Bank's total portfolio.

During the year, the Bank launched the AFFIN ISLAMIC Visa Debit Card, replacing the existing MyDebit card. Leveraging on the latest payment technology, this provides customers with easy and secure access to deposit accounts.

The Bank also introduced its first point-based loyalty programme, AFFIN Rewards, in which customers are able to earn points with their AFFINBANK or AFFIN ISLAMIC Debit Cards to redeem rewards. As part of its consumer banking initiatives, the Bank's 'Shop, Dine & Win' campaign encouraged AFFIN ISLAMIC Debit Card members to perform retail transactions to win attractive prizes along with AFFIN Rewards points.

The Bank continues to command a strong network, with 98 conventional branches and 9 Islamic branches nationwide.

*Affin Islamic Bank Berhad* a wholly-owned subsidiary of ABB, posted a lower profit of RM118 million. This was mainly due to higher overhead expenses and allowance for impairment.

*Affin Hwang Investment Bank Berhad (Affin Hwang Capital)* turned in a stronger profit of RM184 million. This was attributable to higher net interest income as a result of higher average interest earning assets, increased fee income due to higher billings, particularly from corporate advisory fees and private placement fees, as well as higher net brokerage income, arising from better equity market sentiment in 2017.

We broadened our range of products and services, particularly in our securities and asset management businesses. As a result, our securities business grew its market share and continued to be ranked number one on Bursa Malaysia for the fourth consecutive year. The asset management business remained focused on increasing assets under administration and growing private retirement funds.

In the investment banking space, we were able to realise the value of several investment assets on the back of favourable market conditions. In order to expand our capabilities, we established merger and acquisitions, project advisory and valuation services.

For our achievements in the capital markets, Affin Hwang Capital (AHC) received several notable accolades in 2017. This included Bursa Malaysia's Best Overall Equities Participating Organisation as well as the prestigious Best Securities House in Malaysia by Asiamoney. AHC was also recognised by World Bank Group for our role in the issuance of the world's first green sukuk.

*AXA Affin Life Insurance Berhad* recorded a deficit of RM23 million in 2017. This was mainly attributable to higher reserves for future policyholders' liabilities.

*AXA Affin General Insurance Berhad* posted a lower profit of RM141 million, due to reduction in premiums and lower gains in disposal of investment.

**Irat Properties Sdn Bhd** is driven by its two business segments, namely property investment and automated traffic enforcement. Under its property investment portfolio, the prime properties of Royale Chulan Kuala Lumpur and Chulan Tower are the company's strongest assets. Strategically located in the heart of the city, these properties continued to see solid appreciation in value.

In its automated traffic enforcement segment, Irat Properties' wholly-owned subsidiaries, A.T.E.S. Sdn Bhd and Beta Tegap Sdn Bhd, hold concession agreements with the Government to install, operate and maintain traffic enforcement cameras and systems. This is aimed at reducing road accidents and improving road safety. A total of 21 cameras are currently operational.

**Boustead Travel Services Sdn Bhd (BTS)** delivered a higher profit of RM7 million for the year. This was primarily attributable to its core business in corporate ticketing. The company also expanded its focus in the travel sector to hotels and the Meetings, Incentives, Conventions and Events industry to further boost revenue growth.

With three branches in the Klang Valley and 80 highly capable employees, BTS offers a wide range of services to its clientele which comprise leading international airlines such as Malaysia Airlines, Singapore Airlines, Etihad, Qatar Airways, Emirates, KLM and Lufthansa, amongst others. As a result of its high level of service, the company remains one of the top five travel management companies in Malaysia.



*Traffic enforcement camera*

**Boustead Cruise Centre Sdn Bhd (BCC)** registered improved results in 2017. Ongoing upgrading efforts to BCC facilities have borne fruit, leading to increased bookings from well-known international cruise liners such as Star Cruises and Royale Caribbean International. A total of 248 international cruise vessels docked at the terminal, up by 85% from last year, in addition to 13 foreign naval vessels. The establishment of BCC's terminal as a key home port by cruise operators has facilitated cruise journeys from Port Klang for both domestic and international passengers.



*Boustead Cruise Centre*



DYMM Raja Zarith Sofiah conferred with honorary degree from UNMC



HRH Prince Charles visits UNMC as part of his official tour of Malaysia

**University of Nottingham in Malaysia Sdn Bhd**, commonly known as the University of Nottingham Malaysia Campus (UNMC) is a top higher learning institution with a student population of nearly 5,000.

During its July 2017 graduation ceremony, UNMC was honoured to present an honorary degree to DYMM Raja Zarith Sofiah binti Almarhum Sultan Idris Shah, Permaisuri of Johor. The university also played host to His Royal Highness Prince Charles, Prince of Wales, who visited UNMC as part of his official tour of Malaysia.

Demonstrating the calibre of UNMC, students and staff members both received local and international recognition for their achievements in the year under review. This included the L'Oreal-UNESCO Women in Science fellowship, the 2017 Jan Atkin Prize and the MYUK60: A Great British Adventure competition prize.

In collaboration with the World Bank and the Government of Bangladesh, the Bangladesh College Education Development Project is progressing well. UNMC welcomed the inaugural batch of 100 master trainers and six policy makers for this project.

**Drew Ameroid (Malaysia) Sdn Bhd** posted positive results for the year, amidst rising product costs and an increasingly competitive operating environment. The company achieved steady growth in the dewatering polymer market and aims to maintain its focus in the waste water segment. There are several projects and equipment sales in the pipeline to ensure sustained growth.

**Kao (Malaysia) Sdn Bhd** delivered an improved performance in 2017, recording a 9% increase in sales and double-digit growth in profit. Key drivers were the company's core brands, 'Biore', 'Laurier' and 'Attack', which saw good momentum propelled by strategic marketing campaigns. The company's focus on shop-front activities further improved brand distribution. To penetrate new market segments, 'Segreta', 'Curel' and 'MegRhythm' were launched, receiving an encouraging response from consumers.

**Boustead Credit Sdn Bhd** turned in positive results for the year as stronger controls on non-performing accounts resulted in lower impairment. A right-sizing exercise and cost optimisation efforts which commenced in the previous year bore fruit.

**Cadbury Confectionery Malaysia Sdn Bhd** recorded a 15% increase in revenue driven by double-digit growth for both domestic and export businesses. Despite challenging market conditions such as commodities costs, foreign exchange fluctuations and inflationary pressures, Cadbury strengthened its market share for its range of chocolates, attaining the number one market position.



# TRADING & INDUSTRIAL DIVISION







## KEY DEVELOPMENTS

BHPETROL  
TOTAL NO OF STATIONS

**380**

UAC BERHAD  
**MAIN CONTRACTOR**

FOR RUMAH MAMPU MILIK  
PROJECT IN BUKIT JALIL