

# SURGING AHEAD



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



## **rationale**

The visual represents our nimbleness while reflecting our consistency to deliver growth synergistically. In strengthening our commitment to organic growth, the Boustead Group surges ahead with the aspiration to unlock fresh opportunities for growth. This year's cover design reflects this aspiration particularly across our six Divisions.

# inside

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## our prime assets

- Boustead Plantations Berhad, a key participant in the plantation sector.
- Pharmaniaga, Malaysia's largest listed integrated pharmaceutical group.
- Mutiara Damansara, an award winning township with strong retail offerings such as the Curve and eCurve.
- BHPetrol, Malaysia's only other national retail petroleum network.
- Boustead Naval Shipyard, Malaysia's leading solutions provider for naval vessels.
- The Royale chain of hotels, a leading hotel chain in Malaysia.
- Portfolio of prime investment properties including a cruise centre.
- University of Nottingham Malaysia Campus, a top private university in Malaysia.

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# about us

Established over 180 years ago, Boustead Holdings Berhad is today one of Malaysia's leading conglomerates, involved in key sectors of the economy. With a dedicated focus on sustainable growth and contributing positively to the nation's development, Boustead has built a diverse stable of investments within its core businesses, namely plantation, property, finance & investment, pharmaceutical, trading & industrial, and heavy industries.

Driven by a strong talent pool of more than 18,000 employees in our listed and non-listed subsidiaries, the Group has total assets in excess of RM16.7 billion. With Lembaga Tabung Angkatan Tentera as its major shareholder, Boustead's shareholders' funds stood at RM5.8 billion at the close of the financial year.

## at a glance

Revenue	EBITDA	Profit Before Tax	Profit After Tax
RM <b>10.6</b> billion	RM <b>1.3</b> billion	RM <b>686</b> million	RM <b>533</b> million
Dividend	Total Assets	CAPEX & Acquisition	Employees
<b>26</b> <sub>sen</sub>	RM <b>16.7</b> billion	RM <b>1.2</b> billion	<b>18,155</b>

# our core business

## property division



The Property Division is involved in key areas of the property sector, including property development, property investment and the hotel business. The Division's growth is driven by a strong portfolio of investments, which include award-winning townships and a leading chain of hotels.

## pharmaceutical division



The Pharmaceutical Division provides an extensive range of services and products catering to the pharmaceutical and healthcare industry, including the manufacturing of generic pharmaceuticals, warehousing, logistics, distribution and trading of medical products, as well as hospital equipment. The Division has expanded its expertise to the retail pharmacy segment, providing quality pharmacy services to the domestic market.

## plantation division



With a substantial land bank throughout Peninsular Malaysia, Sabah and Sarawak, the Plantation Division places great emphasis on sustainable agricultural practices via its innovative research and development initiatives.

## heavy industries division



The Heavy Industries Division is engaged in the full spectrum of the marine sector, comprising shipbuilding, ship repair, and maintenance, repair and overhaul services for both naval and commercial vessels. The Division also has viable investments in the oil and gas and aviation businesses.

## finance & investment division



The Finance & Investment Division is driven by a strong portfolio of businesses, including key investments in financial services, education, and travel. The most recent addition to the Division's stable is a cruise terminal and jetty, enabling it to tap into the strong prospects of the tourism sector.

## trading & industrial division



The Trading & Industrial Division's diverse portfolio includes Malaysia's only other homegrown retail petroleum network. The Division is also involved in the manufacturing and distribution of building materials as well as paint manufacturing.

# chairman's statement



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

## Dear Shareholder,

Your Group achieved another year of success against the backdrop of a volatile climate. Despite external and internal pressures, we were able to deliver a bottom line that was marginally impacted. Growth from our core businesses enabled the Group to achieve a profit before tax of RM686 million.

### ECONOMIC LANDSCAPE

Although the United States and the United Kingdom demonstrated improvements, the global economy remained subdued in 2014. There was a marked slowdown in growth drivers closer to home such as China while Europe and Japan experienced stagnant growth.

Falling global oil prices as well as the depreciation of the Ringgit, particularly in the fourth quarter of the year affected Malaysia. Despite this, growth was sustained by private and public consumption, leading to a GDP growth of 6.0% for 2014.

## chairman's statement

Earnings per share ended at **39.5 sen** and net assets per share was **RM5.69**



### FINANCIAL PERFORMANCE

On the back of a demanding economic backdrop, the Group delivered a solid performance for the year under review, with a profit after tax of RM533 million. Most of our Divisions performed satisfactorily as we continued to strengthen organic growth.

Earnings per share ended at 39.5 sen and net assets per share was RM5.69, while shareholders' funds stood at RM5.9 billion as at 31 December 2014.

### DIVIDEND

We remain committed to delivering value to our shareholders via consistent dividend yield. In line with our dividend policy, the Group's dividend was 26 sen per share, representing a 5.4% yield based on the closing stock price for the financial year. To date, dividends totalling 21 sen have been paid out to shareholders, while the remaining 5 sen will be paid on 31 March 2015 to shareholders on the register as at 19 March 2015.

### HUMAN CAPITAL

As a leading Malaysian conglomerate, we are conscious that our talent pool is the backbone of the Group, supporting our growth as a dynamic and diversified organisation. In line with this, the development of our workforce as a strategic resource is a key focus area for us.

Through our talent development programmes and employee engagement initiatives, we strive to cultivate a highly skilled, productive and motivated team to realise our long-term goals and objectives. This is further reflected in our core values and competencies, which are inculcated at all levels of the Group. Our efforts support the Government's aspiration to create a high-performance talent pool capable of leading our nation forward.

### OUTLOOK

In light of the global economic uncertainty and challenging market conditions, moderate growth is expected for 2015. While the US market is expected to continue its recovery, growth in the Eurozone and in Central Asia is anticipated to remain at a slower pace.

We are confident that Malaysia will remain resilient as we continue to move forward by building on our strong fundamentals and diversified economy. Domestic demand is expected to underpin the nation's economy in 2015, which certainly bodes well for your Group. The outlook is positive for the year ahead given the Government's efforts to address the challenges of global economic conditions and strengthen the domestic economy through revisions to the National Budget 2015.

Most importantly, we will redouble our efforts to deliver value and fulfil our objectives to achieve another successful year.



*New Year's Eve celebration at Mutiara Damansara Commercial Centre*



*Pharmaniaga Berhad - Winner of 'Malaysia's Top 100 Leading Graduate Employer' for Pharmaceutical sector*

## ACKNOWLEDGEMENT

I wish to express my deepest gratitude to our Board members for their dedication and invaluable expertise in ensuring our success. Equally important to our achievements are the efforts of our management and staff, whose steadfast commitment and resilience continue to drive the Group.

I would also like to convey my appreciation to our major shareholder, Lembaga Tabung Angkatan Tentera (LTAT), for their confidence and trust.

My sincere thanks to our shareholders, financiers, business associates, consultants and the regulatory authorities for their unwavering support.

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

3 March 2015

# chief executive's review



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



**Dear Shareholder,**

We have journeyed through what has been a trying period for both corporations and nations. Clearly the new norm is that challenges are more pronounced particularly for business entities be it small or big.



Your Group has not been spared from the vagaries of external volatilities and dampened domestic demand. Against these odds, we have delivered a profit of close to RM700 million which attests to our resilience and commitment.

### **FINANCIAL PERFORMANCE**

We are pleased to report that our financial results though slightly dampened, are within expectations, more so given the trying conditions that we operate in. We registered a satisfactory profit before tax of RM686 million. This however, was lower compared to the previous year's results of RM708 million which included a one-off gain of RM137 million from the privatisation of Al-Hadharah Boustead REIT.

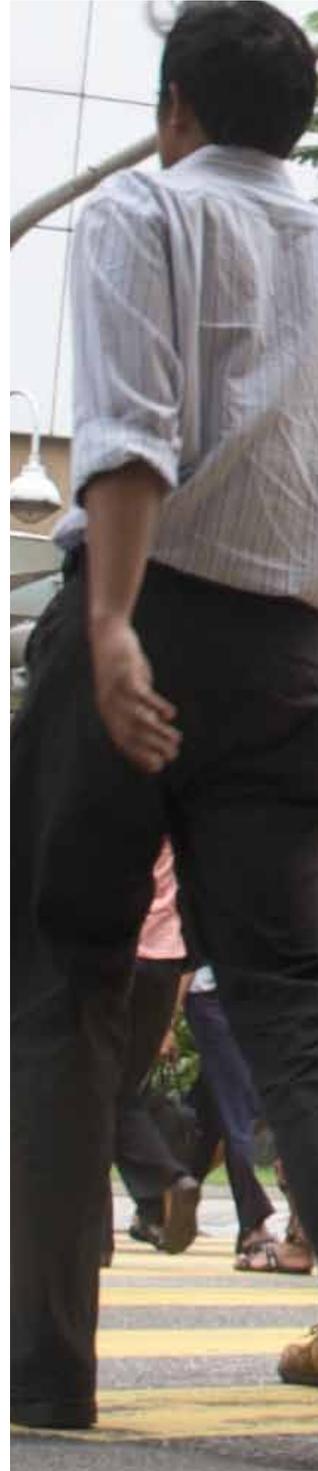
Profit after tax stood at RM533 million, a marginal 5% reduction from the previous year, achieved on the back of a revenue of RM10.6 billion, a dip compared with last year's RM11.2 billion.

Our financial health is strong and poised to grow even further, as the Group's best years are still ahead. Our balance sheet is in a good position, with shareholders' funds in excess of RM5.8 billion

As we have conveyed previously, the diversified nature of the Group is a healthy one, given that our sources of revenue and profit are not confined to any one business segment or industry. In this way, we have the ability to draw on multiple sources of earnings generation, which will then cushion the impact from another business segment or industry. This strategy, which has been employed over the years, was all the more pronounced in 2014.

Our Divisions performed handsomely with the Property Division leading, followed by Finance & Investment and Pharmaceutical. The Plantation and Trading & Industrial Divisions performed well, while Heavy Industries recorded a turnaround.

We maintain that our focus is to add value to our shareholders. On this note, total dividend for the year amounted to 26 sen per share, representing a total payout of RM269 million. These dividends were distributed by virtue of the fact that we are a strong Group with impeccable fundamentals. Our balance sheet is solid with our shareholders' funds in excess of RM5.8 billion. To complement our financial health, we have reduced our gearing to 0.9 times from 1.1 times in the previous financial year.





The Property Division delivered a strong profit of RM295 million, a substantial 37% increase compared with last year due to strong appreciation in value of the Group's strategic land banks, land sales as well as demand for our commercial and retail assets. The Division contributed 43% of the Group's bottom line.

The Finance & Investment Division fared well, contributing a profit of RM110 million, marking a 7% improvement on a year-on-year basis. The Division's key profit contributor was the Affin Group. The Division also benefitted from a significant reduction in interest cost. The Division's profit contribution to the Group was 16%.

It was a record year for the Pharmaceutical Division, which registered a 41% improvement in profit amounting to RM100 million due to strong contributions from its concession and non-concession businesses. This Division contributed 15% to the Group's profit.

Our Plantation Division registered a profit of RM90 million compared with the previous year's RM131 million profit, which incorporated a special dividend as a result of Al-Hadharah Boustead REIT's privatisation.

Our Trading & Industrial Division, though a positive contributor to the Group's bottom line, recorded a lower profit of RM65 million due to inventory holding losses as a result of the decline in fuel prices.

The Heavy Industries Division turned around by recording a profit of RM26 million compared with a loss of RM89 million in 2013.

## A notable initiative for the year was the successful listing of our plantation arm



### CORPORATE INITIATIVES

Given the dynamic nature of your Group, we have never remained static. Only with an impetus to improve and change, can we reach our true potential. In tandem with this vision to strengthen earnings, we took active steps to grow our investments with acquisitions while restructuring our existing new businesses.

A notable initiative for the year was the successful listing of our plantation arm, Boustead Plantations Berhad on Bursa Malaysia's main market in June 2014. We received strong response from investors, both retail and institutional, given the fact that the listed entity provides investors with an attractive opportunity to participate in the dynamic plantation sector which holds vast potential for growth. We are confident of the prospects for our Plantation Division especially given our vast experience and strong track record in managing plantation assets.

The Group strengthened its position on the international front with the acquisition of Hyde Park Hotel located in the Bayswater area of London. Given its prime location in central London, the Hyde Park Hotel represents a strategic opportunity for the Group to capitalise on the growing hotel market and hospitality industry in London.

With the changing demographic of the Malaysian landscape, the investment banking segment of our listed associate, Affin Holdings Berhad undertook a major corporate exercise which saw the acquisition and merger between Affin Investment Bank Berhad and Affin Hwang IB. Simultaneously, Affin Fund Management Berhad and Affin Hwang Asset Management Berhad also completed their merger during the year. With the birth of Affin Hwang Capital, the Boustead Group has a strategic investment via Affin Holdings Berhad in Malaysia's second-largest brokerage house by trading value.



Building around years of experience, we undertook the strategic acquisition of a jetty featuring 69 acres of land bank in Pulau Indah, Klang. As a result, a new business unit has been created, known as Boustead Cruise Centre Sdn Bhd. The acquisition includes prime sea-fronting land and a five-storey cruise terminal building and jetty. Clearly, this was a positive investment and prospects are bright for the business, as demonstrated by the profit achieved within the short time frame of two months of full ownership.

Furthermore, there are vast prospects to pursue in terms of effective utilisation of the land bank.

In an effort to strengthen our presence in Indonesia and tap into the country's inherent prospects, our listed subsidiary, Pharmaniaga Berhad completed the acquisition of PT Errita Pharma, a generic pharmaceutical manufacturing company in Bandung, Indonesia. This acquisition complements the marketing and distribution business of Pharmaniaga's distribution subsidiary in Indonesia, PT Millennium Pharmacon Tbk.



## chief executive's review

We are focused on concentrating our energies on what we do best. As such, we have been consistent in our stand about unlocking value and disposing of assets or businesses that do not play a role in enhancing the Group's potential. To this end, we divested our stake in several non-core businesses.

### OUTLOOK

We are a resilient Group and despite the economic sentiment, we will weather the economic uncertainties and deliver sustained earnings.

As we look to the future, we are highly encouraged by the opportunities that lie inherent in the Property Division, particularly with the urban regeneration of our Jalan Cochrane land bank. The development of the 1.1 million square feet, 4-storey MyTOWN Shopping Centre certainly bodes well for the Group and we look forward to seeing it contribute to the Division's top line and eventually bottom line growth.

The Finance & Investment Division will also fare well, as it expands its reach, both in consumer and investment banking, particularly after the recent acquisition and merger this year. Our other investments within this Division should also perform satisfactorily, namely Boustead Cruise Centre Sdn Bhd.

Clearly, the Plantation Division has performed well in 2014, compared with 2013 given that operating profit has improved. With pressures on stock levels and the potential for higher biodiesel mandates, we are hopeful that crude palm oil (CPO) prices will trend positively which will then have a direct impact on our bottom line.

One of our star performers for the year, the Pharmaceutical Division is certainly expected to keep the momentum going by delivering another year of strong results in 2015. Its concession and non-concession businesses are experiencing positive growth patterns. We expect the RoyalePharma Pharmacy to add value to the Division's prospects as it seizes the opportunity to cater to the growing healthcare needs of Malaysians.



*Prospectus launching ceremony*



Boustead Cruise Centre

The Trading & Industrial Division may continue to see external pressure on its bottom line. Importantly, the Division's offerings are imperative to the economy and as such, we are confident that this Division will play an important role in delivering strong earnings in the foreseeable future. As for the Heavy Industries Division, while it may also see external pressure on its bottom line, there is vast potential owing to the construction of Littoral Combat Ships and maintenance of defence assets.

The year 2015 will bring with it, its fair share of challenges and setbacks, the Boustead Group is no newcomer to dealing with difficult circumstances. We have been in existence for almost two centuries and we are proud of our heritage of building a strong and diversified conglomerate which contributes positively to the Malaysian economy. Our talent pool is growing along with our reach and our six Divisions will continue to review and strengthen its business models and where necessary, tighten weak points be it via divestment or restructuring.

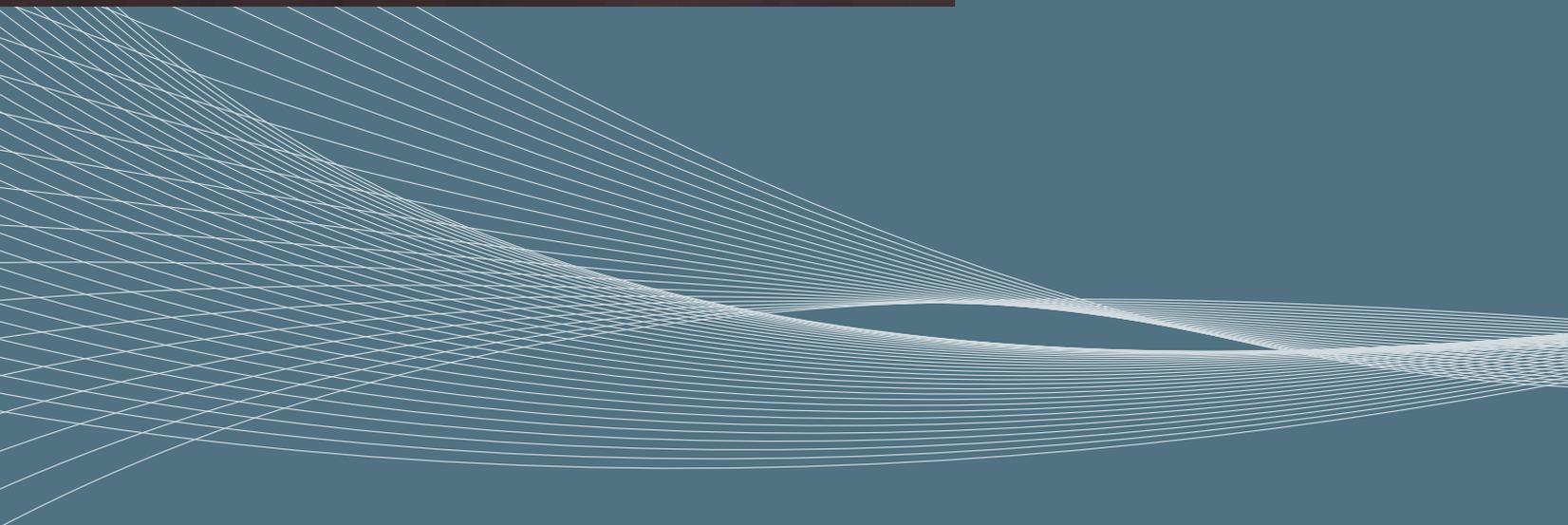
The following pages provide you with an in depth review of how the Divisions have fared during the financial year. We hope you will find the information exhaustive. We also remain committed to our role as a strong corporate citizen. Initiatives and efforts towards this end have also been included within this review.

In business, there will always be uncertainties. It is the ability to overcome challenges, seek new opportunities and persevere that differentiates the good companies from the poor ones. As shareholders, we hope you will appreciate that we have your interest at heart and will certainly persevere to deliver value both in the near term and long term.

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

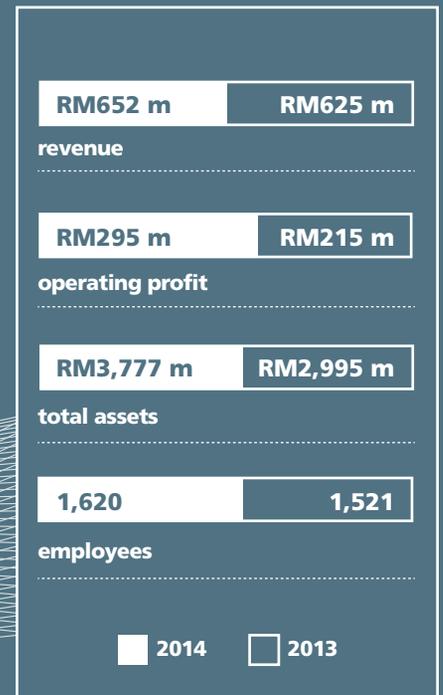
3 March 2015





# property division

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chief executive's review



Festive activities at the Curve



## The Division's strategic land bank has appreciated in value

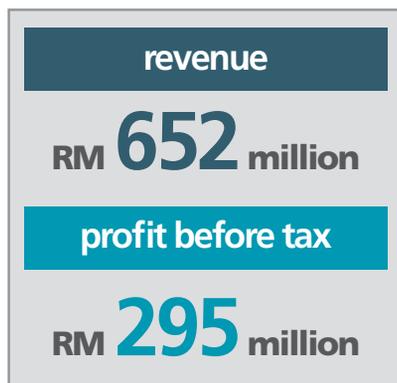
The Property Division registered another record year of profit amounting to RM295 million, 37% higher than last year's RM215 million. This was due to the appreciation in value of our strategic land bank of prime properties. To complement our results, sales of land and good demand for our retail and commercial space also strengthened the Division's bottom line.

### PROPERTY INVESTMENT

This segment registered a profit of RM210 million compared with RM96 million in the previous financial year. The surge in profit was due to the recognition of the market value of our land bank in Jalan Cochrane. We successfully disposed of our investment property in Jalan Bukit Tunku, Kuala Lumpur and rented out our newly redeveloped and fully furnished residential property in Jalan Girdle, to enhance earnings.

We added value to Menara Boustead Kuala Lumpur, by undertaking a major refurbishment exercise. This comprised the replacement of all 10 lifts and renovation of all the restrooms in the building. In addition, our stable of other office investment properties in Kuala Lumpur namely Menara Affin and Wisma Boustead have performed well in terms of occupancy and rental rates. These properties have appreciated in value due to their strategic location in the Golden Triangle of Kuala Lumpur.

A significant milestone was achieved this year as the Curve, one of our prime assets in our stable of retail investment properties celebrated its 10th anniversary. We commemorated this occasion in December 2014 by feting retailers who opened their stores with us on the same day in 2004 to a luncheon. Since opening its door a decade ago, the Curve has quickly gained a place in the hearts of shoppers for being a great leisure spot and food destination, with its wide range of eateries and relaxing



ambience. To celebrate a decade of bringing 'A Breath of Fresh Air' to Mutiara Damansara, Malaysia's first pedestrianised mall celebrated with a six-week-long shopping campaign in honour of its loyal patrons with giveaways worth over RM200,000.

Over the years, the Curve and eCurve have gained a strong following as a result of a host of campaigns and activities including themed promotions for the festive periods and school holidays. Our annual events such as Fashion Week and the BHPetrol Orange Run attracted the crowds including the ever popular Damansara Street Fest, which saw the participation of more than 130 vendors.

In keeping with the annual New Year's Eve tradition, we again saw thousands of revellers gathered at the Mutiara Damansara Commercial Centre (MDCC), comprising the Curve, eCurve and IPC Shopping Centre. The gathering themed 'Together We Care' was dedicated to the country's flood victims.

The flood relief project aimed to raise funds and collect much-needed food and basic necessities for those affected by the disaster, working hand-in-hand with MERCY Malaysia, Yayasan Tun Hussein Onn, National Flood Relief Fund and CIMB Foundation. LTAT along with the Boustead and Ikano Groups donated a total of RM450,000 for this cause. The site of what was to be the street carnival was transformed into a donation zone with stations set up to receive contributions from the public that started pouring in from early evening.

Understanding the importance of maintaining and improving our malls for the convenience of our patrons, we undertook a number of enhancement efforts at the Curve and eCurve. These included the upgrading of the kids' zone with a new play area, additional canopies for the Street, the construction of a new baby changing room and the improvement of our existing restroom facilities. In line with our commitment to ensuring the safety and security of our shoppers, our security guards underwent an intensive training programme.



Funds raised for the flood relief project

chief executive's review



*MyTOWN Shopping Centre under construction*

The Division is jointly developing 'MyTOWN Shopping Centre', the 1.1 million square feet, 4-storey mall located on 18 acres in Jalan Cochrane. Construction of the basement work is now complete and work on the superstructure has commenced. MyTOWN is directly connected to the Cochrane MRT Station which exits into the basement level of the shopping centre.

A project office located at the Cochrane site now houses the leasing showroom and features a scaled model of the MyTOWN Shopping Centre. We have signed up several key tenants in 2014. This latest shopping haven will be seamlessly linked to IKEA's second and largest Home Furnishing Store in Malaysia. The shopping centre is a joint-venture development between Boustead and the Ikano Groups.



## PROPERTY DEVELOPMENT

Our property development segment recorded a profit of RM88 million, a decrease of 23% from last year's RM114 million due to lower margins. Accessibility to Mutiara Damansara underwent further improvement with the completion of a new access road from Lebuhraya Damansara-Puchong. This is in addition to the ongoing construction of the Mass Rapid Transit public transportation system, which will feature a covered pedestrian walkway linking major commercial buildings in Mutiara Damansara to the station via Surian Tower. Once completed, the station will be located above Persiaran Surian, adding to the appeal of Mutiara Damansara as a strategic location for business, shopping and living.

The commercial precinct which is populated by prestigious names such as Dialog, Lexus, Cycle & Carriage, KL Kepong, UAC, TSR, Mudajaya and Glomac will soon be joined by a few other office towers of prestige as more corporate lots are acquired.

Complementing our much anticipated MyTOWN Shopping Centre, the 800-unit One Cochrane condominium is expected to be launched in the final quarter of 2015.

In Johor, we received encouraging response from homebuyers and investors as we launched 331 units of double storey terrace houses in Taman Mutiara Rini. We were able to successfully complete and hand over 590 units of double storey terrace and semi-detached houses launched in 2012.

Apart from our 'Mutiara Homes' terrace houses, we also launched 748 units of 'Rumah Mampu Milik' (RMM) which comprised landed double storey semi-detached homes measuring 30 by 50 feet with a built-up of 1,200 square feet at an affordable price of RM220,000. These affordable 3-bedroom 2-bathroom homes are sold to eligible purchasers with monthly household incomes of RM6,000 and below.



*Taman Mutiara Rini, Skudai, Johor*

Another 307 units of 'Rumah Kos Sederhana Rendah' (RKS) were also launched during the year. These houses, which comprise landed double storey terraces measuring 15 by 50 feet, with a built up of 850 square feet are sold at RM80,000. The 3-bedroom 2-bathroom houses are sold to eligible purchasers with monthly household incomes of RM4,500 and below. Both the RMM and RKS houses were first offered to serving and retired members of the Armed Forces.

Construction of the RMM and RKS homes is in progress and we hope to hand over the homes by August 2015. Our flagship property development project in Johor is expected to increase in its appeal especially to urbanites with the opening of a Tesco hypermarket in late 2014 in the commercial hub of the township. A local hypermarket operator is currently constructing another hypermarket, which when opened will further enhance the area as a retail destination.

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## chief executive's review

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### HOTELS

Seizing the opportunity to strengthen our portfolio of hotel properties, the Group undertook the acquisition of the 68-room Hyde Park Hotel, London. The property was recently refurbished and is located in the Bayswater area with accessibility to major shopping and tourist attractions as well as public transportation and amenities. Given its prime location in central London, the Hyde Park Hotel represents a strategic opportunity for the Group to capitalise on the growing hotel market and hospitality industry in London.

The year 2014 saw The Royale Bintang Penang open its doors for business. The four-star hotel nestled in the heart of historic George Town's financial district offers travellers charming 'old world' glamour alongside contemporary luxury and friendly service. The future looks bright for our Pearl of the Orient hotel which overlooks the scenic Weld Quay and is just minutes away from Government offices as well as business, dining, retail and entertainment outlets.

We are pleased to report that the construction of The Royale Cherating Resort & Spa is progressing smoothly.

Part of our Royale chain of hotels, the five-star The Royale Chulan Damansara, is the only hotel in Malaysia to feature an ice-skating rink. The hotel recorded strong occupancy rates while its banqueting business registered steady growth. Our first five-star hotel, The Royale Chulan Kuala Lumpur hosted several prestigious conferences and events in 2014 including the 7th World Summit on Media for Children and the Society of the Golden Keys Malaysia's 5-day 61st UICH Les Clefs d'Or International Congress in Kuala Lumpur which witnessed an attendance of nearly 500 concierges from all over the world.

The Royale Bintang The Curve which was newly renovated, enjoyed stronger occupancy rates while The Royale Bintang Resort & Spa Seremban enjoyed high room occupancy and average room rates along with its strong banquet business which contributed to profitability.

Infrastructure work and the resulting traffic congestion in the Bukit Bintang area had an impact on The Royale Bintang Kuala Lumpur. We are optimistic about the prospects for the hotel in the long run given its strategic location in the heart of Kuala Lumpur as well as the recently completed renovation of its hotel rooms.



## OUTLOOK

As we progress into 2015, we look forward to the Jalan Cochrane development contributing to the Group's earnings and the creation of thousands of job opportunities for young Malaysians and entrepreneurs.

Our focus for the year ahead is to further develop our Taman Mutiara Rini township in Johor and deliver as promised affordable and low-medium cost homes.

We will undertake upgrading efforts for our investment properties, both commercial and retail to stay ahead. With base building work commencing for KidZania Singapore located in Sentosa Island, the indoor theme park jointly owned with Khazanah Nasional Berhad is expected to be operational in the last quarter of 2015.

For our hotels segment, today we have an exceptionally strong stable of investments with our Royale chain of hotels. We look forward to further expand our reach both locally and internationally.

We will remain focused on strengthening our core businesses and exploring viable opportunities in order to enhance our prospects.





# pharmaceutical division

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## chief executive's review

We achieved order fulfilment and delivery performance in excess of **99%** for the second year running



Pharmaniaga Berhad achieved a record profit of RM126 million against RM93 million in the previous year. Its contribution to the Division was RM100 million, representing a 41% leap in profit compared with RM71 million last year.

### LOGISTICS AND DISTRIBUTION

This business segment delivered a strong operating profit of RM40 million, which is a significant 90% increase from last year. Revenue saw a 9% growth, hitting RM2.1 billion on the back of increased sales volume from both concession and non-concession businesses.

The Concession Agreement (CA) with the Ministry of Health (MOH) is the key growth driver for the Division. Revenue generated from the CA amounted to RM1.24 billion, an 11% increase from RM1.12 billion in the previous financial year.

We successfully achieved our goal of consistent compliance to the CA's performance standards. Amongst the key efficiency levels that we were able to maintain included order fulfilment and delivery performance in excess of 99% for the second year running as well as order processing and invoicing processes completed within 24 hours.

We demonstrated our ability to deliver top-notch service through the performance of our Customer Care Call Centre with over 88% of incoming calls answered within 15 seconds.

Our ongoing dialogue sessions with Jabatan Kesihatan Negeri to discuss concession-related matters have been fruitful. We took the opportunity to conduct customer satisfaction surveys during the 16 dialogue sessions held. We obtained an average rating of 91.8% in the 'excellent' and 'good' range from survey respondents. We conducted two surveys for public sector customers where the majority of ratings also indicated a high level of satisfaction.



revenue

RM **2.1** billion

profit before tax

RM **100** million

In addition, we successfully received Good Distribution Practice for Medical Devices certification, demonstrating our high level of adherence to regulatory requirements.

As part of our commitment to ensuring product excellence, we believe that the best way to gauge our abilities is through conducting tests. In line with this, we carried out a validation study for our cold chain management, which involved mock-deliveries of cold chain products from our Central Distribution Centre in Bukit Raja to all corners of the nation. We are pleased to note that we were able to maintain the temperature of our cold chain products in polystyrene boxes at an ideal range of 2°C to 8°C for 48 hours.

Our ongoing efforts to ease our dependence on concession income, we implemented our strategy to expand the ambit of our non-concession business via focused and structured marketing initiatives. Our non-concession business, which consists of contracts that fall beyond the scope of the CA, delivered a revenue of RM469 million compared with RM415 million in 2013.

The Division made headway in the private sector, increasing its product offerings to 481 products. The Citrex range for the consumer healthcare market segment saw an addition of 12 new supplements comprising lifestyle, slimming and general health products.

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**chief executive's review**

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We look to reinforce our presence in the generic business with the introduction of new products in our primary care range such as Aspira for treatment of asthma and Atopshield for atopic dermatitis. As for our speciality care segment, Zithrolide, our generic azithromycin brand and Glumet XR, our generic metformin hydrochloride brand performed well in the market strengthening our anti-infective and diabetic ranges respectively.

We have tapped into industry growth drivers of haematology and oncology, launching several niche products such as Octanate, Rhesonativ and Octaplex, as well as forming partnerships with global industry leaders in the haematology segment. To date, in the blood product group, we have registered 14 such products from partnership.

We made progress in the retail pharmacy sector as we launched new outlets of our RoyalePharma Pharmacy, which is a community-based pharmacy situated in strategic locations in Selangor, Penang and Perak. With these additional outlets we have been able to tap into growing consumer demand for quality pharmacy services.

Mirroring our core business segments in Malaysia, our Indonesian operations performed well with our listed subsidiary PT Millennium Pharmacon International (MPI) recording growth in revenue in spite of tough market conditions and new developments in Indonesia's healthcare industry.

The accomplishments for MPI during the year included Good Distribution Practices (GDP) certification for two of our branches in Jakarta and the commencement of distribution for PT Errita Pharma as well as PT Mega Pharma.

Internationally, apart from Indonesia, we registered four products in Brunei and one each in Hong Kong and Vietnam. In total, we have accumulated 186 registration approvals in 11 countries to date.

## MANUFACTURING

The segment delivered an operating profit of RM86 million in 2014, representing a 19% increment compared with RM72 million last year. These results were due to improved sales and cost optimisation initiatives at our manufacturing facilities.

As part of our growth plans, we scaled up the manufacturing capabilities and capacity at our plants in Malaysia and Indonesia. This included the completion of our sterile penicillin powder injectable plant at Seri Iskandar, the expansion of our product pipeline at our

Puchong plant, new equipment purchased such as compression and tablet coating machines at our Bangi and Sg Petani plants. In addition, we undertook the refurbishment and upgrading of our penicillin plant in Bandung.

Our efforts to enhance the compliance levels of all our manufacturing sites enabled us to significantly improve Good Manufacturing Practices compared with the previous year.

With a view to enhance our standards, we have implemented Halal & ISO certification programmes for our Seri Iskandar, Sg Petani and Puchong plants. At the same time, we are preparing for the European Union (EU) Good Manufacturing Practice audit and certification process at our Bangi and Seri Iskandar plants which will allow the Division to capitalise on opportunities in the EU.



chief executive's review

**RESEARCH AND DEVELOPMENT**

Conscious of the importance of developing new products in order to maintain our competitive edge, we have streamlined our product development team for greater efficiency and have appointed key personnel to support this effort. Our dedicated team has embarked on a number of initiatives with the aim of developing 200 products by 2020.

We embarked on two biotechnology herbal projects in support of the Government's objective to develop high-value herbal products as an Entry Point Project within the Economic Transformation Programme.

The Kacip Fatimah project is in collaboration with the Ministry of Science, Technology and Innovation, Boustead Plantations, Agro Dynamics and the University of Nottingham Malaysia Campus. It focuses on plant cultivation and propagation, extraction, pre-clinical studies, product development, clinical trials, and the commercialisation of Kacip Fatimah as a phyto-medicine.

A joint effort with Forest Research Institute Malaysia, we successfully carried out and concluded the pre-clinical stage of the Patawali project and are set to conduct further research for this project.





## OUTLOOK

Despite a volatile global economic climate, the pharmaceutical sector is relatively resilient as a result of increasing public awareness of health along with greater access to healthcare. As we leverage on the prospects of this industry, we look to add value to the Division in the year ahead.

With five years of our 10-year CA with MOH to go, we are focused on delivering a high level of service while increasing the scope of our non-concession business.

We look to expand our international reach with the successful acquisition of PT Errita Pharma. This generic pharmaceutical manufacturing company in Bandung will provide the Division with opportunities to tap into the Indonesian market and capitalise on the country's inherent prospects.

With our proprietary Citrex brand as a key driver of growth in the health supplements segment, we look forward to 2015 as we focus on expanding our product range. We have submitted 18 new product applications to be registered throughout 2015 and 2016 in international markets comprising Brunei, Singapore and Hong Kong.

The expansion of our retail pharmacy business is another focus for the year ahead. We plan to open RoyalePharma Pharmacy outlets in strategic locations to cater to growing market demand. Coupled with this, we plan to provide value added health related services including medication management, consultation and health and wellness education.



# plantation division



## chief executive's review

# CPO prices averaged RM2,401 per MT, a gain over the previous year

The Plantation Division registered a profit of RM90 million compared with RM131 million last year. Profit in 2013 included a special dividend of RM54 million due to the privatisation of Al-Hadharah Boustead REIT.

### MARKET REVIEW

Starting off promisingly in the first quarter, CPO prices dipped in the next few quarters of 2014 as the market faced lower demand while Malaysia and Indonesia recorded robust yield output.

As Malaysia and Indonesia failed to meet biodiesel consumption targets, CPO prices dropped to a low of RM1,929 per metric tonne (MT) in August 2014. This was compounded by the fact that the impact from the anticipated El Nino phenomenon was not as intense as expected.

A moderate increase in export demand saw CPO prices rebounding to a high of RM2,336 per MT in November 2014, as the low prices saw consumers replenish stocks exhausted in the previous months. Purchases were cheaper for consuming countries as the Ringgit weakened against the US dollar. CPO prices ended the year at RM2,266 per MT as Brent crude oil prices fell to a five-year low of USD57 per barrel.



CPO prices averaged at RM2,401 per MT for 2014, a slight 2% gain from the previous year's price of RM2,353. Palm kernel on the other hand was a significant contributor to the Division's earnings, increasing by 31% to end the year with an average price of RM1,679 per MT.

Malaysian CPO export improved to 27% of all palm oil exported in 2014, compared with 22% in 2013 as a result of the Malaysian Government's proactive effort in scrapping the 4.5% export tax from September 2014 to February 2015 to alleviate declining prices.



### ESTATES AND MILLS

The combined land bank of the Group grew to 83,400 hectares (ha) from 82,900 ha in 2013. A total of 70,600 ha is under cultivation, of which, 64,500 ha consists of mature area and the remaining 6,100 ha comprises immature area.

Fresh fruit bunches (FFB) production was stable at 1,037,000 MT, while FFB yield stood at 16.2 MT per ha.

Average yield per ha was 18.7 MT for our Peninsular estates, a 6% decline from the previous year's 19.8 MT. FFB production was challenging, particularly for the northern Peninsular estates during the first half of the year as a result of the hot and dry weather conditions which affected fruitsets compounded by shortage of harvesters.

Our Sabah estates delivered improved yields with an 11% increase to 18.7 MT per ha (2013: 16.9 MT). Yields for some of our estates increased concurrently with the increasing maturity of the young palms and good agronomic practices.

Meanwhile, our Sarawak estates saw a 16% decrease in production to 9.6 MT per ha (2013: 11.4 MT). Harvesting activities in Sarawak were mostly hampered by unremitting field blockades at our Bukit Limau and Sungai Lelak estates. Also impacting FFB yields were protracted field blockades by longhouse landowners who acted against the decision of the Court of Appeal, which ruled in favour of the Division at our Boustead Pelita Kanowit estates.



Our 10 palm oil mills processed a total of 1,135,000 MT FFB (2013: 1,142,000 MT). Average oil extraction rate (OER) improved to 21.8% (2013: 20.9%) while the average kernel extraction rate (KER) of 4.5% was comparable to last year's 4.6%. Our top OER performer, Sungai Jernih mill was awarded the highest OER Achievers Award for Peninsular Malaysia (Own Crop Category) in Oil Palm Industry from MPOB for two years in a row, with its achievement of 23.4% in 2013 and 24.7% in 2014. Our Segaria mill in Sabah achieved the Group's second highest OER for the year at 23.8%.

## chief executive's review

Palm oil production cost stood at RM1,435 per MT (2013: RM1,436). FFB production cost increased to RM306 per MT (2013: RM295), owing to incremental costs connected to new acquisitions in addition to accessibility improvement expenditure on roads. Milling cost increased to RM64 per MT FFB from RM59 due to lower crop production, which had a knock-on effect on processing cost.

Mechanisation of field operations is one of the major measures we have undertaken to minimise operating costs and reduce labour dependence. The methods we have employed to this end include the utilisation of mechanical spreaders for fertiliser application, mini-tractor and grabber system for in-field FFB collection, controlled droplet applicators and power sprayers for control of weeds, pests and diseases.

Light weight graphite harvesting poles are currently being used at our estates as a solution to the limitations encountered with the existing aluminium alloy poles that are too heavy for harvesting tall palms of over six metres in height. Scheduled to be implemented in some 3,000 ha in Peninsular Malaysia and 5,000 ha in Sabah, the graphite harvesting pole can improve productivity by up to 20%. To complement this, we aim to expand the use of motorised sickles for harvesting of our young mature palms in order to enhance productivity.

The Division's Engineering Department commenced the construction of a seed production laboratory in Lahad Datu, Sabah for our associate company, in addition to undertaking external consultancy contracts for the construction of new palm oil mills with a processing capacity of 40/60 MT per hour in Keningau, Sabah; Bintulu, Sarawak; and Kalimantan Utara, Indonesia for two reputable companies.

## RESEARCH AND DEVELOPMENT

Our associate research arm, *Applied Agricultural Resources Sdn Bhd (AAR)*, drives the Division's research and development (R&D) initiatives. We are focused on exploring new frontiers through scientific evaluations and experiments, capitalising on their expertise in enhancing productivity, quality and planting practices.

Research on oil palm breeding, tissue culture and biotechnology continue to add value to the Division by improving FFB yield and OER as demonstrated by our various planting materials. The Division currently has 18,900 ha of oil palms planted using clonal planting materials, which have produced better oil yields.





As a result of AAR's field experiments in terms of fertiliser application efficiency, we have been able to combine the use of our specially designed modified polythene sheet, AA+ Plastic Mulch with control released fertilisers and beneficial microbes which works to enhance palm growth.

One of AAR's key findings during the year has been the fact that there is a significant increase in soil microbes with the use of oil palm waste such as Empty Fruit Bunches (EFB) and palm oil mill effluent as well as other organic mulches in comparison with the usage of inorganic fertilisers. AAR's research also noted increasing levels of microbial biomass in areas where good leguminous cover crop was introduced in the initial years of oil palm cultivation.

We have achieved considerable progress in the study of the Ganoderma root disease in oil palms. With new information pertaining to the spread of this disease, we are presently screening potential tolerant planting materials and have successfully identified microbial candidates that can be used to deter or reduce Ganoderma infection.

The use of unmanned aerial vehicles is being evaluated for the correlation of quick yet extensive aerial information. This will help with problem identification and facilitate the implementation of immediate corrective measures at our plantations.

## OUTLOOK

We were plagued with challenges during the year under review, particularly natural disasters. Moving forward, optimistic projections for CPO prices in 2015 bode well for the Division.

While some analysts expect tightening CPO supply and rising demand particularly from the global food industry to cushion CPO prices, others however have cautioned that the weakening Brent crude oil prices will have a correlation to CPO prices.

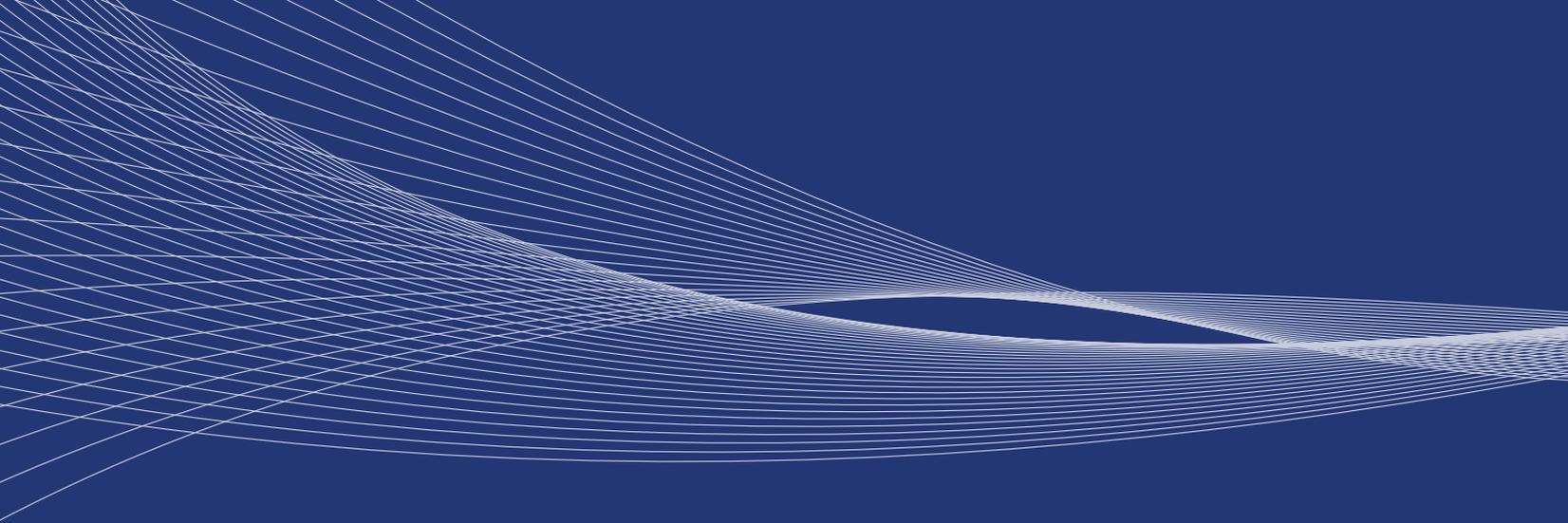
In addition, Indonesia's biodiesel mandate also has a part to play in the recovery of palm oil prices particularly in terms of its implementation of the B10 biodiesel mandate.

On the international front, demand for palm oil in the price-sensitive Indian consumer market could be affected by India's bid to raise the import tax of crude vegetable oils and refined oils.

Prospects continue to be bright for us as the Government's of Indonesia and Malaysia look to phase out domestic subsidies for diesel fuels. As biodiesel competitiveness improves, higher domestic biodiesel consumption is expected in 2015, which denotes lesser palm oil for export.

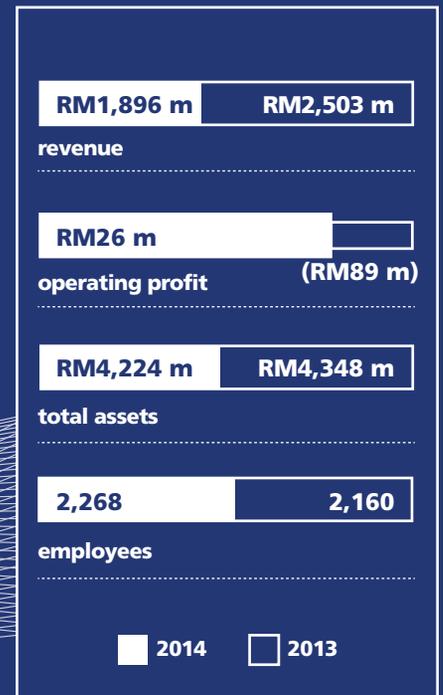
Given the available balance from the IPO proceeds, we are actively looking to acquire plantation assets to add to our land bank.

As we navigate through the year, the Division will remain vigilant and monitor market trends for the palm oil industry closely.



# heavy industries division

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The development of the basic design of the LCS is underway, following the completion of the concept design stage

The Division performed well, achieving a profit of RM26 million compared with a deficit of RM89 million in 2013. This was a direct result of improved contribution from Boustead Naval Shipyard Sdn Bhd (BN Shipyard).

#### SHIPBUILDING – NAVAL

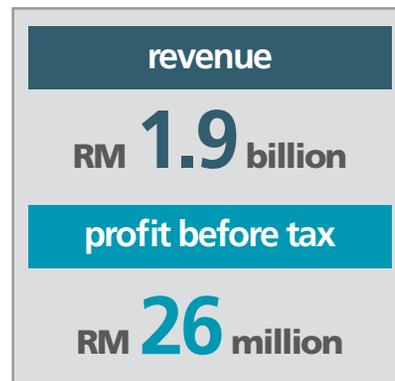
Our competency in the naval shipbuilding segment has allowed us to cater to the defence and maritime needs of the nation via the Royal Malaysian Navy (RMN).

A highlight for the financial year was the signing between BN Shipyard and the Government of Malaysia for the RM9 billion contract to deliver six LCS. With the successful completion of the basic design, the detailed design process is well underway. This will pave the way for the commencement of the physical construction of the first ship in 2015. In preparation, upgrading of infrastructure works at our Lumut shipyard is near completion.





The Langkawi yard



Contraves Advanced Devices Sdn Bhd (CAD), a joint venture company of Boustead Heavy Industries Corporation (BHIC) has been tasked to undertake procurement, engineering and integration works of related equipment in connection with the combat management system for the LCS project. CAD's state-of-the-art shore integration and software integration facilities in Cyberjaya are now ready to undertake integration works.

### MAINTENANCE, REPAIR & OVERHAUL

The Maintenance, Repair & Overhaul (MRO) business was a key contributor to business growth in 2014. Under this segment, our Transformation Steering Committee (TSC) has undertaken multiple planning and transformation initiatives for the betterment of MRO services offered by the Division.

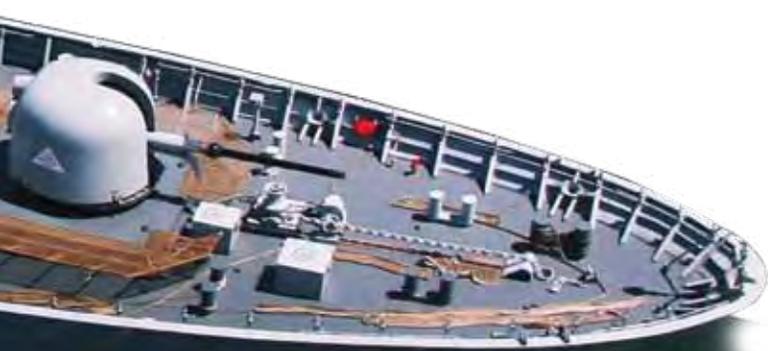
TSC organised a 14-month training programme in collaboration with a subsidiary of MIGHT, MIGHT-METEOR Advanced Manufacturing Sdn Bhd and Korea-based Daewoo Shipbuilding & Marine Engineering Co. Ltd. The programme was conducted with a view to obtain external expertise on Korean best shipyard

practices particularly in ship repair. The effectiveness of the training programme was evident by the on-time delivery during the year of the RMN owned corvette, KD LEKIR that underwent a Service Life Extension Programme and refit at our Lumut shipyard. We intend to replicate this programme at our yards in Penang and Langkawi in 2015.

Boustead Penang Shipyard Sdn Bhd has ventured into MRO services for small to medium range vessels for commercial clients and has successfully completed several MRO projects during the year.

Boustead DCNS Naval Corporation Sdn Bhd (BDNC), a joint venture company of BHIC, finalised a contract to undertake in-service support for the two Scorpene-submarines for the RMN during the year. In late 2014, one of the submarines i.e. KD TUN RAZAK, successfully conducted live firing of BLACK-SHARK torpedo being the first since the Government took delivery of the submarines in 2009 and the first in the world for Whitehead Alenia Sistemi Subacquei, the supplier of the torpedo.

Our foray into helicopter MRO services gained significant inroads when our joint venture company, BHIC AeroServices Sdn Bhd (BHICAS) signed an in-service support contract in 2014 for the maintenance and supply of spare parts for EC725 helicopters for the Royal Malaysian Air Force, for a period of three years. BHICAS will be operating from a new hangar facility, equipped with modern design and capabilities in the first quarter of 2015.



## chief executive's review



*His Majesty the Yang di-Pertuan Agong at BHIC's booth, DSA 2014*

### SHIPBUILDING – COMMERCIAL

On the commercial front, and in line with the Government's mandate to BHIC, via the Malaysian Shipbuilding and Ship Repair Industry Strategic Plan 2020, we undertook a number of initiatives.

These high-impact Entry Point Project (EPP)-related activities are in support of the national agenda to lead the shipbuilding/ship repair sector and a key element of the Division's plan to move up the value chain. One of the key enablers in terms of enhancing local design and establishing systems engineering capability, we achieved a significant breakthrough in our design capabilities with the first Malaysian-designed offshore support vessel (OSV). The design is currently pending approval from Bureau Veritas, a recognised and accredited global leader in testing, inspection and certification.

We continued with our transformation initiatives and the development of our niche in smaller crafts such as tugboats, workboats and crew boats, by undertaking a shipbuilding project for the design, supply, construction, testing and commissioning of a 17-metre harbour tug for an international client. The construction is progressing swiftly at our Langkawi shipyard and the tug is expected to be delivered in the first quarter of 2015.

### MANUFACTURING AND SERVICES

The Division recorded positive progress in our Belum (BE-SA) Topsides construction contract for Murphy's SK309/311 Phase 2 Sarawak Gas Development Project. The project is expected to be completed in 2015.

The chartering segment was impacted by high operating costs and scheduled routine dry docking expenses incurred on its chemical tankers. As a proactive measure, we have undertaken bareboat charter arrangements whereby no crew or provisions are included.

BHIC Marine Technology Academy Sdn Bhd (BHIC MTA) secured a one-year training contract from a Middle East navy to provide a Technician Application Course for 33 technicians. BHIC MTA is currently being developed into a dedicated training centre for Shipbuilding/Ship Repair Apprentice Development to meet a minimum target of 100 skilled workers trained per year under the EPP until 2017.

**MHS Aviation Berhad (MHS)** concluded the year on a positive note with a profit of RM14 million, clocking in more than 650,000 flying hours with a total of almost 1.1 million departures.

Locally, MHS maintains its excellent service standards, providing services to PETRONAS Carigali Sdn Bhd, Exxon Mobil Exploration and Production Malaysia Inc, Sapura Kencana Energy Peninsula Malaysia Inc and EQ Petroleum Production Malaysia Ltd. A new contract to operate a Sikorsky S76C out of Kuala Terengganu was received from Coastal Energy KBM Sdn Bhd.

GAP-MHS Aviation Lda continues to make its presence felt in the international arena, with three aircrafts currently in operation, catering to the oil and gas industry in Timor Leste. Its collaboration with PCPP Operating Co in Labuan continues to bear fruit, particularly since the contract has been extended well into 2015.

**Boustead Atlas Hall Sdn Bhd's** core business lies in its partnership with OneSubsea, acting as a provider of the multiphase flow meter and wet gas flow meter to some of the most notable industry players in the oil and gas sector.

## OUTLOOK

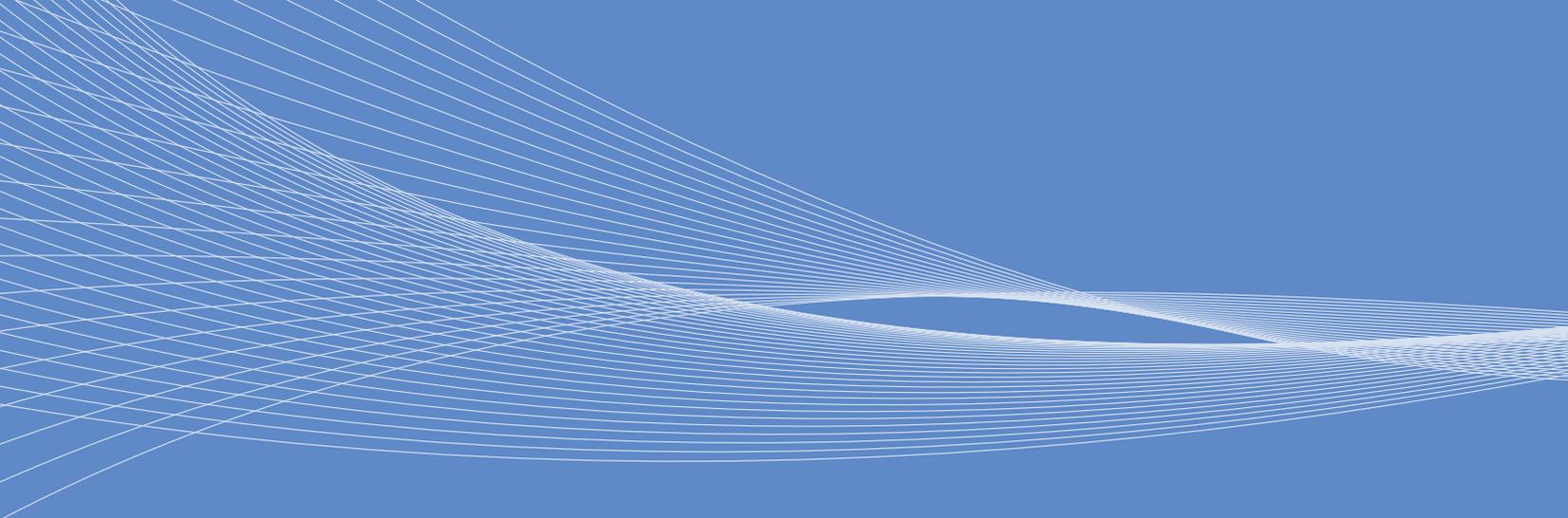
There is vast potential in shipbuilding activities, be it for military or commercial use. We will capitalise on our core skills in this business segment. The physical construction of the first of the six LCS for the RMN will kick-off in 2015. We aim to deliver the first ship by 2019, with the remaining ships scheduled for delivery at 10-month intervals thereafter. An improved contribution from BN Shipyard is expected once progress billings for the LCS project are accelerated.

We look forward to seeing positive results from our MRO business with a focus on expanding our services to defence related assets.

With the downward trend of oil prices coupled with Petronas's announcement of a significant reduction in capital expenditure, we are mindful that this may have an impact on our earnings. We aim to deliver the Belum (BE-SA) Topsides fabrication work for Murphy's SK309/311 Phase 2 Sarawak Gas Development Project for the coming fiscal year.

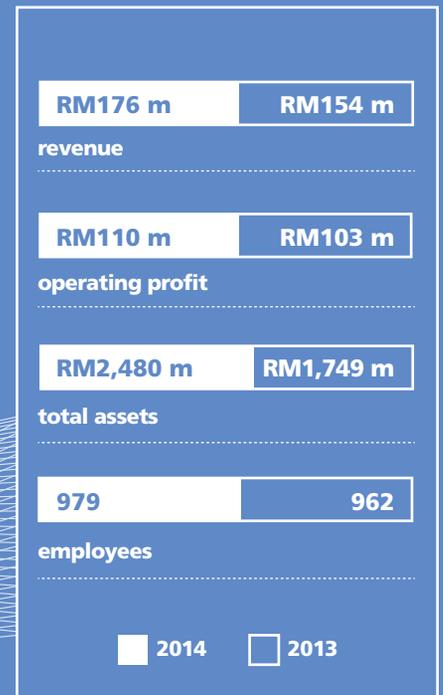
MHS is positive on its prospects particularly for the EC225 utilisation as it generates positive earnings to its bottom line. Its fleet rationalisation programme will continue with two other disposals scheduled for the coming financial year.



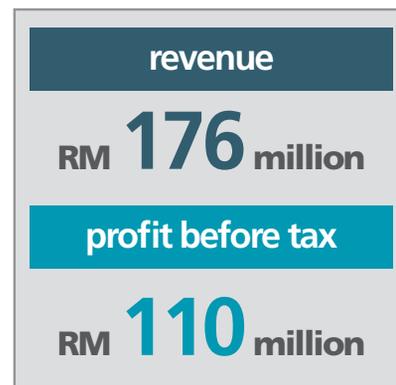


# finance & investment division

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## The investment banking segment is operating under its new brand name, Affin Hwang Capital



The Division locked in an improved profit of RM110 million compared with RM103 million in the previous year mainly due to reduction in interest cost. The key profit contributor to the Division was the Affin Group.

**Affin Holdings Berhad** recorded a profit before tax of RM820 million compared with RM854 million last year. Contribution to the Boustead Group amounted to RM125 million compared with RM134 million.

*Affin Bank Berhad* recorded a profit of RM715 million compared with RM754 million in 2013 due to margin compression, given stiff competition on loans and deposits. The Bank strengthened its position in retail banking with the addition of two new branches in Selangor and Negeri Sembilan. This complemented the Bank's existing branch network bringing the total number of branches nationwide to 105. In line with the Bank's vision to deliver customer service excellence, eight off-site self-service machines were installed for the convenience of its customers, bringing the total to 116.

To strengthen the Bank's business expansion efforts, it launched three new products, including a credit card which caters to its existing high net-worth client base, a 100% secured term loan for the purchase of Amanah Saham Bumiputra units and portfolio guarantee financing worth RM50 million in partnership with Credit Guarantee Corporation Malaysia Berhad.

Providing its customers with access to seamless banking services, Affin Bank undertook upgrades to its IT and operational processes. This allowed for improved operational efficiency.

*Affin Islamic Bank Berhad*, the wholly owned subsidiary of Affin Bank Berhad, delivered a profit of RM87 million, 10% higher compared with RM79 million in the previous financial year.

The investment banking segment now operating under its new brand name, *Affin Hwang Capital*, comprising the merged entities of Affin Investment Bank Berhad and HwangDBS Investment Bank Berhad as well as Affin Fund Management Berhad and Hwang Investment Management Berhad, delivered a higher profit of RM106 million (2013: RM84 million). The contributing factors were due to an increase in other operating income and net interest income, net of higher overheads attributable to the integration cost incurred during the merger.

Affin Hwang Capital has in place strategic initiatives to achieve its long-term business targets including restructuring its investment banking coverage model to better serve its client base and an expanded network of 21 securities and 8 asset management branches nationwide. The company expanded its treasury business to offer multi-product solutions to customers. As for its securities segment, the company has developed segment-based institutional coverage and introduced a research model for institutional equities that is client focused.



Marking its foray into the European market, *Affin Hwang Asset Management Berhad (AHAM)* became the first Malaysian company to launch a Luxembourg-registered Undertaking for Collective Investments in Transferable Securities (UCITS) Funds, namely the Affin Hwang Select Asia Opportunity Fund and Affin Hwang Select Asia Quantum Fund. With the UCITS status, AHAM is able to offer these funds to investors in the European Union. The Affin Hwang Select Asia Pacific (ex-Japan) Balanced Fund aimed at providing a diversified portfolio comprising equities and fixed-income instruments and the Affin Hwang Select Asia Pacific (ex-Japan) Dividend Fund designed to provide investors with regular income and capital growth over the medium to long term period were also launched.

In recognition of the corporate exercises undertaken by Affin Hwang Investment Bank, the Al-Hadharah Boustead REIT privatisation was chosen as the best privatisation exercise in 2014 by The Edge Malaysia. The exercise was also awarded Best Islamic Privatisation in 2014 at the Asset Triple A Awards. At the StarMine Asia 2014 Industry Analyst Awards, the company's analysts were ranked Top Stock Pickers in three sector categories. In addition, the Affin Hwang Asset Management funds received multiple awards in 2014.

On a year-on-year basis, *AXA Affin General Insurance Berhad* achieved a profit of RM120 million compared with RM87 million last year. The improved performance was due to a higher earned premium from the health and motor businesses along with improved investment income.

*AXA Affin Life Insurance Berhad* registered a profit of RM9 million this year (2013: RM11 million). The reduced profit was due to higher reserves for future policyholders' liabilities, partially offset by higher gains on disposal of equities and higher contribution from underwriting results of the life insurance business.

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## chief executive's review

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**University of Nottingham in Malaysia Sdn Bhd**, known as the University of Nottingham Malaysia Campus (UNMC), recorded slow growth in the year under review. This was attributable to heightened competition by new foreign campuses with aggressive recruitment strategies, as well as increased investment in marketing and staffing by local campuses. Higher costs due to new policy regimes also had an impact on operations.

Nevertheless, due to its global recognition as an outstanding educational establishment, UNMC maintained an enrolment of approximately 5,000 students. Its campus in Semenyih continues to offer an excellent learning environment and this will be expanded with a state-of-the-art teaching and learning facility, slated to open its doors in 2015.

UNMC made its mark as an institution with a strong foundation in research, with close ties to the University of Nottingham in the United Kingdom and the University of Nottingham Ningbo, China. As a result of research partnerships in Malaysia and throughout the ASEAN region, UNMC received a record research funding of RM13 million from both the public and private sectors.

The University's research and development arm, MyResearch, established new research centres in areas which are fundamental to Malaysia's development, including aerospace, Islamic business and finance, the environment and sustainable palm oil.

**Boustead Travel Services Sdn Bhd (BTS)** delivered record profit driven by its core business activities, namely corporate ticketing, incentive and outbound travel. This was achieved in spite of the events that impacted the aviation industry in 2014.

BTS provided best-in-class services to meet the needs of its clients, receiving awards from a number of top airlines. The business travel segment was a key performer for the company, with leisure and incentive group travel experiencing positive growth. Cost optimisation efforts and good credit control also enabled BTS to improve profitability for the year.

**Cadbury Confectionery Malaysia Sdn Bhd** went through a particularly tough year, turning years of profitability into loss due to the release of a report, which was later disproved, claiming that two of its products were not halal. Although the Halal





authorities cleared Cadbury's name, the clarification was not timely enough as customer confidence had already been affected, which subsequently impacted sales margins for the year. Higher production cost was caused by inefficiencies and idle costs due to a drop in domestic volume.

Nevertheless, consumer confidence in the brand was successfully restored in the last quarter of the year as a result of focused marketing campaigns coupled with public relations initiatives. Assurance of Cadbury's strict adherence to halal standards was effectively communicated, resulting in the highest purchase intent in December 2014.

**Kao (Malaysia) Sdn Bhd** posted a reduced profit as a result of increased competition in the market as well as subdued consumer sentiment. Despite this, Kao Malaysia continues to drive the growth of its core brands such as 'Biore', 'Laurier' and 'Attack' via targeted marketing campaigns and promotions to deliver value to consumers. In 2014, new products in its 'Biore' and 'Attack' product lines, as well as a new premium range of diapers were launched as part of its strategy to expand its product portfolio.

**Drew Ameroid (Malaysia) Sdn Bhd** posted a marginal drop in profit, primarily as a result of the competitive operating environment. The company pursued organic growth opportunities in order to deliver innovative products and services to its customers.

**Boustead Shipping Agencies Sdn Bhd (BSA)** was hit by trying conditions in the shipping industry in 2014. In an effort to mitigate losses, BSA downsized its operations with the disposal of various investments within the company.

**Boustead Cruise Centre Sdn Bhd** successfully completed the acquisition of a jetty and 69 acres of land in Pulau Indah in the fourth quarter of the year. In the two months of full ownership, the company experienced strong revenue at the commencement of the peak holiday season for the cruise liner business.



# trading & industrial division

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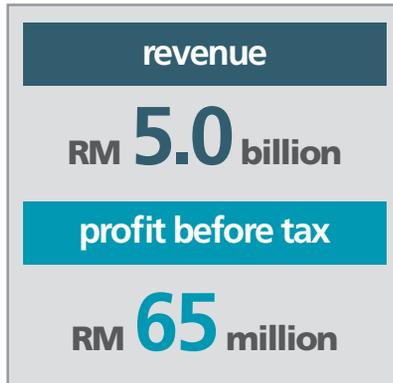


Brand building efforts and **cost optimisation initiatives** were undertaken by our petroleum retail network

Stiff competition in the building materials segment and external economic conditions, which impacted oil prices weighed down on the Division. Profit for the year was RM65 million compared with RM140 million last year.

The key driving businesses for the Division were Boustead Petroleum Marketing Sdn Bhd (BHPetrol) and UAC Berhad (UAC).

**Boustead Petroleum Marketing Sdn Bhd** experienced a challenging year due to plunging oil prices in 2014, recording a profit of RM55 million against last year's RM137 million. Inventory holding losses versus last year's inventory holding gains and divestment of a property contributed to lower profit.



Retail volume growth was further impacted by the uncertain economic climate as well as the devastating floods in Malaysia.

With a view to expand its retail network, seven new stations were opened while the construction of eight additional stations were completed in 2014.

These expansion plans were supported by an effective product leadership strategy to drive the brand forward, which saw BHPetrol launching the first Euro5-grade diesel in Malaysia. The company delivered a stronger performance for its commercial business due to more effective marketing programmes, and by focussing on margin optimisation. The lubricant business also registered a 30% improvement in profit and a 3% increase in volume.

As a result of its brand building efforts coupled with disciplined growth, product excellence and cost optimisation initiatives, BHPetrol continued to strengthen its position as a quality provider of products and services in the petroleum retail network sector.



Launching of Infiniti Euro5 diesel by YB Dato' Sri Hasan Malek, Minister of Domestic Trade, Co-operatives and Consumerism

## chief executive's review

**UAC Berhad** recorded a profit of RM20 million for the year as stronger exports boosted sales volume. The company expanded its global footprint to Myanmar and saw positive sales growth in East Asian countries, South Africa, the United Kingdom, the South Pacific Islands and Australia.

UAC made further inroads in the domestic market for Industrial Building System wall construction systems. The company launched a new range of wood replacement fibre cement products known as UCO DecoWood, receiving positive feedback from construction industry participants. The UCO SolidWall System and UCO SolidPanel System meet the requirements of different segments of developers in the industry. As testament to the quality of this innovative system, the company received the Special Award for Innovation for the UCO SolidWall System at the CIDB Malaysian Construction Industry Excellence Awards.

Meanwhile, in 2014 UAC along with other industry players banded together and obtained an antidumping order against fibre cement products from Thailand. This has helped to stabilise prices in the Malaysian market.

**Boustead Building Materials Sdn Bhd** performed well despite challenging market conditions. Revenue was impacted by lower progress billings as well as heightened price competition and cheaper imports. The company delivered improved results mainly attributable to its strong focus on high margin products, as well as its ongoing efforts to expand its customer base.

**Boustead Sissons Paints Sdn Bhd** was impacted by challenging market conditions in 2014. This included intensified competition, profit erosion and increased sales and marketing overheads. To overcome these challenges, the company made inroads into value engineering with a view to reduce the cost of material usage.

**Johan Ceramics Berhad** streamlined its operations with the closure of its floor tile plant. This led to a drop in operating overheads and subsequently resulted in reduced losses. In its wall tile business, the company was impacted by sluggish demand and narrow margins in the domestic market. Slow moving, obsolete and odd lot stocks were aggressively disposed of in an effort to reduce stock holding.





UCO SolidWall System in use



**Boustead Engineering Sdn Bhd** registered steady growth with orders coming in from the domestic market and Indonesia for its industrial chains business. Revenue was impacted by delay on commencement of fabrication work for the maritime sector.

**Boustead Global Trade Network (BGTN)** performed well in 2014, primarily driven by its insurance services which were extended to the Boustead Group of companies. Prospects are positive for BGTN as business activities are expected to increase throughout the Group including insurance commission revenue from the construction of the LCS.

# corporate responsibility

The past year has been a mixed bag for the nation and while we were faced with unprecedented disasters, it brought out a more caring and socially responsible Malaysia. As a progressive and well-established public listed company with diversified businesses in major segments of the Malaysian economy, the Boustead Group has long recognised the importance of being socially responsible towards all our stakeholders.

The year under review saw the Group undertaking corporate social responsibility initiatives aimed at empowering human capital and communities, caring for the environment and less fortunate members of society as well as encouraging excellence in education.





corporate responsibility

**HUMAN CAPITAL**

Human capital development is critical for a corporation's long-term growth and success. Nevertheless, the nature of today's competitive climate means the race to attract quality talent can only become more intense. Conscious of this fact, the Group is dedicated to investing in recruiting, developing, retaining and motivating its employees.

In empowering the potential of our talent base, we carried out soft skills development and functional training programmes during the year under review. For the Group's internal auditors, we introduced the Professional Certification programme, which provided them with the opportunity to pursue Certified Internal Auditors qualification fully funded by Boustead. The certification assisted in the development of business awareness, professional judgment and communications skills among our auditors at the same time providing them with exposure on technical knowledge application.

As we expand the Group's reach in terms of our business activities and consequentially, headcount, we are conscious of the importance of engaging with and listening to our employees. We implemented a



Group-wide Employee Engagement Survey through which we received constructive feedback. We have taken steps to implement initiatives based on the feedback.

The importance we have placed in training has not gone unnoticed; in fact, the Boustead Group is an authorised training employer for a number of prestigious institutions including, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales, the Chartered Institute of Management Accountants and the Malaysian Institute of Certified Public Accountants.





We were able to demonstrate our commitment to training via our ongoing involvement in the Skim Latihan 1Malaysia (SL1M) programme, aimed at enhancing employability among graduates. Through the Group's own SL1M-Boustead Graduate Internship Programme, the graduates were provided with the opportunity to improve and enhance their skills, knowledge and competencies through both soft skills training and on-the-job experience. The programme has had a positive impact on 30 individuals in 2014.

The Group's University of Nottingham Malaysia Campus (UNMC) lent its engineering expertise to an ambitious new aerospace centre in Malaysia, a partnership between UNMC, Aerospace Malaysian Innovation Centre and MARA Aerospace & Technologies, a Malaysian government agency. Asia Aerospace City aims to become Asia's aerospace hub, providing a complete business ecosystem through a synergy of human capital capabilities and engineering services supported by a strong innovation culture. UNMC will be contributing through research and development in the focal areas of composite manufacturing, tooling and manufacturing automation. The centre is set to be completed in year 2020.

In addition to investing in human capital via training as well as research and development, the Boustead Group acknowledges the importance of encouraging healthy living and camaraderie for a well-rounded work force. On this score, the Group played host for a range of sports activities as well as family days, which worked to bring the Boustead family closer together.

We are mindful of the need to ensure that the welfare and wellbeing of our employees and their families are attended to which is why the Group provides assistance in the form of subsidies, facilities such as day-care centres and transportation assistance to our estate employees.

## COMMUNITY

We have long understood the direct correlation between our success and the strength of the communities in which we operate. As such, beyond just getting involved in the communities, we endeavour to create a sense of belonging.

A holistic initiative, UNMC's Water 4 Life campaign saw us not only channelling much needed clean spring water to homes of the Penan community in Baram, Sarawak, we also held talks on waste management and conservation of water, provided training to health officers for treatment of minor ailments and conducted basic medical screening.

Through our Skwad Operasi Sihat 1Malaysia (SOS1M) programme, we provided suburban, rural and Orang Asli communities with greater access to healthcare.



corporate responsibility



Our Heavy Industries arm collected clothes, books and toys, which were then channelled to disadvantaged families. Pre-used computers were provided to Pusat Pemulihan Orang-Orang Cacat Selangor dan Wilayah Persekutuan and Rumah Insaniah Tun Dr. Siti Hasmah.

For the fourth year running, we contributed half a million Ringgit to Malaysians in need via the Di Celah-Celah Kehidupan television programme which aims to enhance awareness and drive contributions for needy individuals in society.

The Group undertook several initiatives to assist the underprivileged via organisations including Negeri Sembilan Parkinson's Society, Yayasan Anak-anak Yatim Wardatul Jannah, Yayasan Raja Muda Selangor, National Kidney Foundation Malaysia, National Cancer Council, Tabung Kebajikan Angkatan Tentera, MERCY Malaysia, National Blood Bank, Persatuan Kebajikan Kasih and MAA Kidney Charity Fund amongst many others.

While a time for celebrating with family and friends, it is also important to take a moment to give back to those less fortunate by sharing the happiness and joy of the festive season. On this note, we reached out to many charitable homes, including Pusat Jagaan Titian OKU Nur, Pusat Aktiviti Warga Emas Cheras Baru, Agathians Shelter and The JoyHaven Home for the elderly. In addition, we provided donations to longhouses surrounding our estates as well as residents of our estates for the various celebrations.

Our retail establishments, the Curve and eCurve played hosts to charitable campaigns including, National Cancer Council Malaysia (MAKNA) Cancer Awareness Campaign, Pharmaniaga's Blood Donation Drive, Kolej Damansara Utama's Rumah HOPE Donation Campaign, the MCA Blood Donation Campaign and World Vision's Open Up The World Campaign.

In support of cancer awareness, UNMC's ACE Society held its annual Jom Botak 2014: Shave Lah! campaign. More than 50 students from the society shaved themselves bald as a form of moral support to cancer patients and to raise funds for poor cancer patients under MAKNA.

Access to nutrition is a basic necessity that should be afforded to all citizens of the world, unfortunately that is not the case. With the aim of creating awareness and raising funds for this cause, UNMC students took part in World Vision Malaysia's 30 Hour Famine Camp.



The Group contributed to the relief efforts for the recent floods that affected Malaysians. We provided victims with emergency supplies of medicine, food and daily necessities in addition to personal contributions by staff members.

We supported humanitarian efforts beyond our shores, medical aid worth over RM600,000 was supplied to the people of Gaza through Aman Palestin Berhad.

In our effort to encourage active and healthy lifestyles, we were involved in various sporting initiatives. We hosted the ninth annual Orange Run organised by BHPetrol. More than 3,000 runners participated in the Run which was successful in raising RM40,000.



The contribution was presented to four special recipients. In appreciation of their national service in keeping Malaysia safe and peaceful, contributions of RM10,000 each was presented to families of two members of the Armed Forces, Koperal Ahmad Hurairah bin Ismail and Koperal Ahmad Farhan bin Ruslan, who lost their lives in the line of duty in Lahad Datu while RM10,000 each was presented to MAKNA and Good Samaritan Home.

UNMC organised a community charity bicycle ride to raise awareness of autism. More than 900 attended the event which collected a total of RM40,000 to be used to enhance quality of life of the affected children and their families.



corporate responsibility



**EDUCATION**

We recognise the importance of education especially for young children and the impact it can have on their overall development. In support of the Government's efforts in the field of education, we undertook various initiatives to empower young Malaysians in developing their potential.

Through Yayasan Warisan Perajurit, we render financial assistance in the form of scholarships to the children of Armed Forces personnel for exemplary performance in major examinations. Contributions for 2014 amounted to RM2 million, bringing total contributions to date to RM44 million.

In support of the Government's PINTAR programme aimed at providing under-served students throughout Malaysia with an opportunity to achieve excellence in education, we adopted three primary schools in Johor, primarily made up of children of Armed Forces personnel. Apart from the provision of monetary aid for the purchase of schoolbooks and uniforms, we organised motivational programmes for the students.

Organised for the second year running, FORWARD is an educational programme by UNMC aimed at improving literacy among the children of Malaysia's Orang Asli communities. UNMC organised the second iteration of its Share The Future Project, aimed to provide less fortunate children with the tools they require for future success.

With the aim of enabling, supporting and rewarding architectural designs, UAC Berhad organised the Architectural Students Design Award or ASDA for deserving students pursuing architecture courses in public and private universities.

In order to recognise the accomplishments of high-performing students in the pharmacy field, Pharmaniaga established the Book Prize Award in partnership with Cyberjaya University College of Medical Science.





AA+ Plastic Mulch

## ENVIRONMENT

Championing sustainability in our day-to-day operations is something the Boustead Group is passionate about. A total of 2,600 ha of land in our estates is left in its natural state as part of our environmental conservation efforts.

Sustainable agricultural practices are a key component of the operations of our plantations arm. Our Sungai Jernih palm oil business unit is an accredited producer of Certified Sustainable Palm Oil. We look forward to the certification of our Nak palm oil business unit and expect to begin the certification process for our Trong palm oil mill business unit in 2015.

With the launch of the Malaysian Sustainable Palm Oil (MSPO) certification in 2015, we aim to obtain certification for all our estates and mills with our Sungai Jernih palm oil business unit expected to obtain MSPO certification in 2015.

In our effort to minimise our impact on the environment, we utilise our very own AA+ Plastic Mulch system, which lessens the usage of chemical herbicides, while soil erosion is combatted with soil conservation terraces and cover crops. We also utilise empty fruit bunches which are by-products of the oil extraction process as fertiliser, reducing the need for chemical fertilisers.



Telok Sengat biogas plant under construction

Our zero burning policy for both new planting and replanting of oil palms ensure that the palms are allowed to decompose naturally and release nutrients into the soil, a process which reduces our carbon footprint.

Our very first biogas capture plant project is currently being realised at our Telok Sengat palm oil mill in Kota Tinggi, Johor. Installation works are in progress and we expect to commence operations by the second half of 2015. This initiative is in support of the Government's Economic Transformation Programme under the Palm Oil Mill Entry Point Project for the building of biogas facilities at palm oil mills across Malaysia.

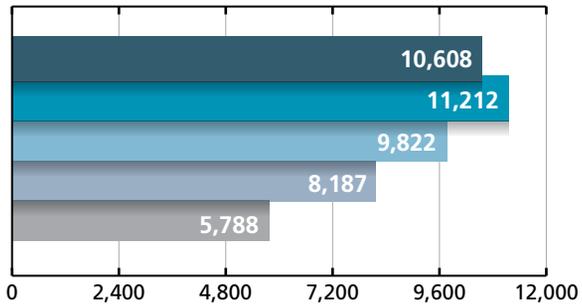
A biogas plant at our mill will not only be a source of renewable fuel in place of fossil fuel to reduce our carbon footprint, it will also contribute to the reduction of greenhouse gas emissions.

## five-year financial highlights

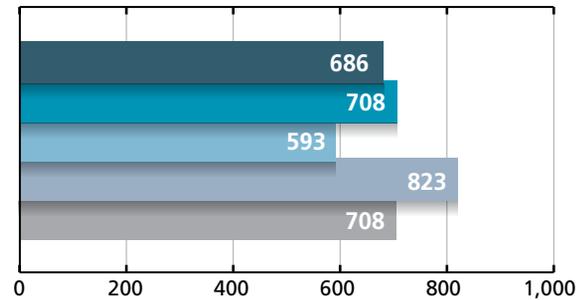
		2014	2013	2012	2011	2010
<b>FINANCIAL PERFORMANCE</b>						
Revenue		<b>10,608</b>	11,212	9,822	8,187	5,788
Profit before taxation		<b>686</b>	708	593	823	708
Profit after taxation		<b>533</b>	560	499	723	614
Profit attributable to shareholders		<b>408</b>	479	417	611	538
Earnings per share	sen	<b>39.5</b>	46.3	40.3	59.0	52.3
Return on equity	%	<b>7.3</b>	9.7	9.2	14.1	13.3
Return on assets	%	<b>6.1</b>	6.7	6.2	9.5	9.1
Return on revenue	%	<b>6.0</b>	4.5	5.2	7.1	9.4
<b>DIVIDENDS</b>						
Dividend payment		<b>269</b>	310	336	375	367
Net dividend per share	sen	<b>26.0</b>	30.0	32.5	39.0	39.0
Dividend yield	%	<b>5.4</b>	5.3	6.3	6.7	7.3
Dividend cover	times	<b>1.5</b>	1.5	1.2	1.6	1.5
<b>GEARING</b>						
Borrowings		<b>7,081</b>	6,636	6,610	5,089	3,159
Gearing	times	<b>0.9</b>	1.1	1.2	1.0	0.7
Interest cover	times	<b>3.4</b>	3.7	3.7	5.1	7.4
<b>OTHER FINANCIAL STATISTICS</b>						
Net assets per share	sen	<b>569</b>	506	450	430	409
Share price – high	sen	<b>550</b>	571	596	650	605
Share price – low	sen	<b>438</b>	493	486	449	326
Price earning ratio	times	<b>12.2</b>	12.1	12.9	9.8	9.3
Paid up share capital		<b>517</b>	517	517	470	470
Shareholders' equity		<b>5,880</b>	5,234	4,656	4,451	4,228
Total equity		<b>7,573</b>	5,925	5,322	5,162	4,660
Total assets		<b>16,680</b>	15,118	13,693	12,518	8,943

All figures are in RM million unless otherwise stated.

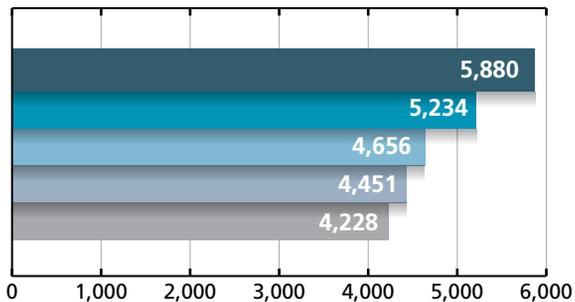
**revenue (RM million)**



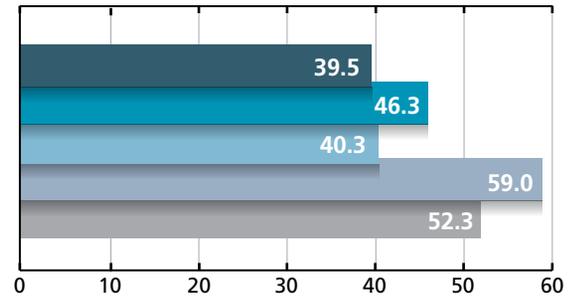
**profit before taxation (RM million)**



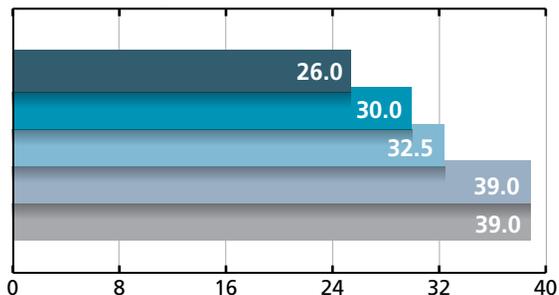
**shareholders' equity (RM million)**



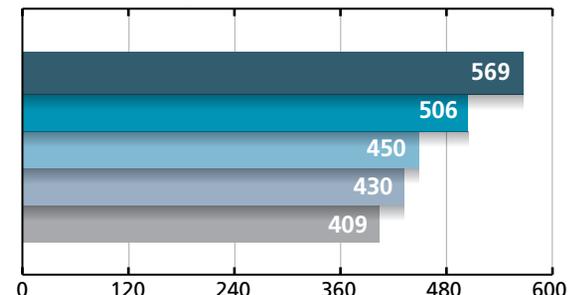
**earnings per share (sen)**



**dividend per share (sen)**



**net assets per share (sen)**



■ 2014 ■ 2013 ■ 2012 ■ 2011 ■ 2010

## corporate information

### DIRECTORS

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

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

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

**Datuk Azzat Kamaludin**

**Dato' Ghazali Mohd Ali**

**Datuk Francis Tan Leh Kiah**

### REGISTERED OFFICE

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

### REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur, Malaysia  
Tel : (03) 2264 3883  
Fax : (03) 2282 1886

### SECRETARY

Tasneem Mohd Dahalan

### PRINCIPAL BANKERS

Affin Bank Berhad  
Alliance Bank Malaysia Berhad  
Ambank (M) Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
CIMB Bank Berhad  
The Bank of Nova Scotia Berhad  
United Overseas Bank Berhad

### AUDITORS

Ernst & Young

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

### HOLDING CORPORATION

Lembaga Tabung Angkatan Tentera

## FINANCIAL YEAR

1 January to  
31 December 2014

## RESULTS

### First quarter

Announced  
26 May 2014

### Second quarter

Announced  
25 August 2014

### Third quarter

Announced  
27 November 2014

### Fourth quarter

Announced  
27 February 2015

## ANNUAL REPORT

Issued  
13 March 2015

## ANNUAL GENERAL MEETING

To be held  
6 April 2015

## DIVIDENDS

### First interim

Announced  
26 May 2014

Entitlement date  
16 June 2014

Payment date  
30 June 2014

### Second interim

Announced  
25 August 2014

Entitlement date  
15 September 2014

Payment date  
30 September 2014

### Third interim

Announced  
27 November 2014

Entitlement date  
16 December 2014

Payment date  
31 December 2014

### Fourth interim

Announced  
27 February 2015

Entitlement date  
19 March 2015

Payment date  
31 March 2015

# board of directors

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





# profile of directors

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

Chairman

Independent Non-Executive Director

Tan Sri Dato' Ghazali, Malaysian, eighty-four years of age, was appointed to the Board on 3 December 1990. He is a member of the Nomination Committee and Remuneration Committee.

Tan Sri Dato' Ghazali graduated from the Officer Cadet School Eaton Hall, United Kingdom, the Royal Military Academy, Sandhurst, United Kingdom and the Command and Staff College, Quetta, Pakistan. He served in various command and staff appointments in the Malaysian Armed Forces for more than 30 years culminating in his appointment as Chief of the Armed Forces from 1985 to 1987. Tan Sri Ghazali was the Chairman of Lembaga Tabung Angkatan Tentera (LTAT) from 23 February 1988 until 22 February 2007.

At present he is Chairman of the public listed company, Boustead Plantations Berhad and sits on the board of various companies within the Boustead Group namely, UAC Berhad and Boustead Properties Berhad.

On 23 September 2013, he was awarded with Honorary Doctorate of Philosophy in Defence Studies by the National Defence University Malaysia.

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past ten years.

## Tan Sri Dato' Seri Lodin Wok Kamaruddin

Deputy Chairman/Group Managing Director  
Non-Independent Executive Director

Tan Sri Dato' Seri Lodin, Malaysian, sixty-five years of age, was appointed to the Board on 10 July 1984. He is a member of the Remuneration Committee. He is also the Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT).

Tan Sri Dato' Seri Lodin graduated from the University of Toledo, Ohio, USA with a Bachelor of Business Administration and Master of Business Administration. He has extensive experience in managing a provident fund and in the establishment, restructuring and management of various business interests ranging from plantation, trading, financial services, property development, oil and gas, pharmaceuticals to shipbuilding.

At present, Tan Sri Dato' Seri Lodin is Chairman of Boustead Heavy Industries Corporation Berhad (BHIC), Pharmaniaga Berhad and 1Malaysia Development Berhad. He is also Deputy Chairman of Affin Holdings Berhad and Vice Chairman of Boustead Plantations Berhad (BPB). BHIC, Pharmaniaga Berhad, Affin Holdings Berhad and BPB are public listed companies in Malaysia. In addition, he sits on the board of UAC Berhad, MHS Aviation Berhad, FIDE Forum, Badan Pengawas Pemegang Saham Minority Berhad, Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Hwang Investment Bank Berhad and AXA Affin Life Insurance Berhad.

Among the many awards Tan Sri Dato' Seri Lodin has received to-date include the Chevalier De La Légion D'Honneur from the French Government, the Malaysian Outstanding Entrepreneurship Award; the Degree of Doctor of Laws Honoris Causa from the University of Nottingham, United Kingdom; the UiTM Alumnus of The Year 2010 Award and The BrandLaureate Most Eminent Brand ICON Leadership Award 2012.

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past ten years.

## profile of directors

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

Independent Non-Executive Director

Dato' Wira (Dr.) Megat, Malaysian, seventy-five years of age, was appointed to the Board on 10 December 1990. He is the Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee.

Dato' Wira (Dr.) Megat is also the Senior Independent Non-Executive Director to whom all concerns regarding the Group may be conveyed. He holds a Bachelor of Commerce degree from University of Melbourne, Australia. He is a Life Member of the Malaysian Institute of Certified Public Accountants, a member of the Malaysian Institute of Accountants and a Fellow Member of the Institute of Chartered Accountants in Australia. He holds an honorary doctorate in Business Administration from Universiti Kebangsaan Malaysia.

He was a partner of KPMG, Malaysia and managing partner of KPMG Desa, Megat & Co. for over 10 years and an executive director in Kumpulan Guthrie Berhad for 11 years. Dato' Wira (Dr.) Megat is presently Chairman of Press Metal Berhad, a public listed company. He also sits on the Board of Trustees of Yayasan Tenaga Nasional. On 18 January 2015 he was conferred by His Majesty Sultan of Kedah Darul Aman with the title, Darjah Kebesaran Gemilang Seri Mahkota Kedah Yang Amat Dihormati (D.G.M.K), which carries the title "Dato' Wira".

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past ten years.

### **Datuk Azzat Kamaludin**

Non-Independent Non-Executive Director

Datuk Azzat, Malaysian, sixty-nine years of age, was appointed to the Board on 16 January 1991. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Datuk Azzat is a lawyer by profession, and is a partner of Azzat & Izzat, Advocates & Solicitors. He obtained degrees in Law and in International Law from the University of Cambridge in 1969 and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an Advocate and Solicitor of the High Court of Malaya in 1979, he served as an Administrative and Diplomatic Officer with the Ministry of Foreign Affairs Malaysia in various capacities. He is presently a director of several public listed companies, namely, Boustead Heavy Industries Corporation Berhad, Axiata Group Berhad, KPJ Healthcare Berhad and Visdynamics Holdings Berhad and several other private limited companies.

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner. He has no convictions for any offences within the past ten years.

## **Dato' Ghazali Mohd Ali**

Non-Independent Executive Director

Dato' Ghazali, Malaysian, sixty-six years of age, was appointed to the Board on 1 March 2007. He is also the Divisional Director of Boustead Holdings Berhad's Property Division.

Dato' Ghazali graduated from the Western Australia Institute of Technology (WAIT) in Perth in Town and Regional Planning in 1970 and is a Fellow of the Malaysian Institute of Planners. Dato' Ghazali was also a member of the Town Planning Board of Malaysia.

At present he sits on the board of Boustead Properties Berhad, UAC Berhad, Johan Ceramics Berhad, Iskandar Investment Berhad, Lembaga Tabung Angkatan Tentera (LTAT) and IIUM Properties Sdn Bhd. Prior to joining Boustead Holdings Berhad, he was Managing Director of Syarikat Perumahan Pegawai Kerajaan Sdn Bhd (SPPK), Property Director, Island & Peninsular Berhad (I&P) and Deputy Director General of the Urban Development Authority (UDA).

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Arkitek MAA, of which he is a partner. He has no convictions for any offences within the past ten years.

## **Datuk Francis Tan Leh Kiah**

Independent Non-Executive Director

Datuk Tan, Malaysian, sixty-three years of age, was appointed to the Board on 11 October 2012. He is a member of the Audit Committee.

Datuk Tan is an Advocate and Solicitor of the High Court of Malaya and a consultant for the law firm, Azman Davidson & Co. He holds an LLB degree from the University of London. He has over 30 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 Inchape Group from 1977 to 1985. He joined the legal profession in 1986 after being called to the Malaysian Bar.

Datuk Tan is on the rolls of Advocates & Solicitors of Brunei Darussalam and the Supreme Court of England and Wales. He is also a fellow of the Institute of Chartered Secretaries and Administrators U.K. and an associate of the Chartered Tax Institute of Malaysia. He is a member of the Securities Commission since 1998.

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past ten years.



- 1 **Tan Sri Dato' Seri Lodin Wok Kamaruddin**  
Deputy Chairman/Group Managing Director
- 2 **Dato' Ghazali Mohd Ali**  
Divisional Director, Property
- 3 **Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli  
Hj. Mohd Nor (R)**  
Managing Director, Boustead Naval Shipyard/Boustead Heavy Industries
- 4 **Mr. Daniel Ebinesan**  
Group Finance Director
- 5 **Dato' Farshila Emran**  
Managing Director, Pharmaniaga Berhad

# senior management team



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

7 **Datuk Mokhtar Khir**  
Group Director of Operations, Boustead Hotels and Resorts

8 **Mr. Tan Kim Thiam**  
Managing Director, Boustead Petroleum Marketing

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

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

# audit committee report

## MEMBERS AND MEETINGS

A total of 5 meetings were held during the year. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set out below:

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

The Deputy Chairman/Group Managing Director, Group Finance Director and Head of Group Internal Audit attend the meetings as and when appropriate. The Audit Committee met with the external auditors twice during the year without the presence of Management. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

The Audit Committee Chairman reports to the Board on principal matters deliberated at Audit Committee meetings. Minutes of each meeting are circulated to the Board at the most practicable next Board meeting.

## TERMS OF REFERENCE

### Membership

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

### Authority

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

- investigate any matter within its terms of reference;
- have the resources which are required to perform its duties and to obtain independent professional or other advice it deems necessary;
- have full and unrestricted access to any information pertaining to the Group;
- have direct communication channels with the external and internal auditors, as well as employees of the Group; and
- be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

### Key Functions and Responsibilities

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

1. Review the external auditors' audit plan, the scope of their audits and audit report.
2. Review the evaluation of the system of internal control with the internal and external auditors.
3. Review the adequacy of the scope, functions, competency and resources of the in-house internal audit function, including whether it has the necessary authority to carry out its work.
4. Review the internal audit plan and results of the internal audit plan or investigation undertaken and follow-up on the recommendations contained in the audit reports of the internal audit function.
5. Review the Group's quarterly results and the annual financial statements prior to the approval by the Board of Directors, focusing particularly on:
  - changes in or implementation of major accounting policies;
  - significant and unusual events; and
  - compliance with accounting standards and other regulatory requirements.
6. Review any related party transactions and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises questions of Management integrity.
7. Review the procedures of recurrent related party transactions undertaken by the Company and the Group.
8. Review the Risk Management Committee's periodic report on key risk profiles and risk management activities.
9. Discuss with the external auditors with regards to problems and observations noted in their interim and final audits.
10. Assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.
11. Recommend the nomination of a person or persons as external auditors.

## audit committee report

12. Review of the written confirmation of independence from the external auditors in accordance with the applicable Malaysian regulatory and professional requirements.
13. Review any letter of resignation from the external auditors or suggestions for their dismissal.
14. Monitor the Group's compliance to the Main Market Listing Requirements (MMLR) and the Malaysian Code on Corporate Governance from assurances by the Company Secretary and the results of review by the external and internal audits.
15. Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the MMLR, the Audit Committee must promptly report such matter to the Bursa Malaysia Securities Berhad.
16. Carry out any other functions that may be mutually agreed upon by the Audit Committee and the Board of Directors.

### ACTIVITIES DURING THE FINANCIAL YEAR

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

- Reviewed the internal and external auditors' scope of work and annual audit plans for the Group.
- Reviewed the management letters and the audit reports of the external auditors.
- Reviewed the quarterly and annual reports of the Group to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors.
- Reviewed the Risk Management Committee's report on key risk profiles and risk management activities.
- Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control and recommend to the Board for approval prior to their inclusion in the Company's annual report.
- Reviewed the adequacy of resource requirements and competencies of staff within the Group internal audit function to execute the annual audit plan and the results of the work.
- Reviewed the related party transactions entered by the Company and the Group as well as the disclosure of and the procedures relating to related party transactions.
- Reviewed the Circular to Shareholders relating to shareholders' mandate for recurrent related party transactions of revenue or trading nature prior to recommending it for Board's approval.
- Reviewed and deliberated internal audit reports and to monitor/follow-up on remedial action. Where required, members of the Audit Committee would carry out ground visits to verify significant issues highlighted in the internal audit reports.
- Met with the external auditors twice during the year in the absence of Management.

## INTERNAL AUDIT FUNCTION

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

The terms of reference of the Group internal audit function are clearly spelt out in the Group Internal Audit Charter (Charter). The Group internal audit function had operated and performed in accordance to the principles of the Charter that provides for its independence function. The Group internal audit function reports directly to the Audit Committee, and is independent of the activities it audits.

The Company has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective system of internal control and overall governance practices within the Company and the Group.

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

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

All audit work for the internal audit function during the year was conducted in-house. There were no areas of the internal audit programs which were outsourced. The total cost incurred for the Group internal audit function in respect of the financial year ended 31 December 2014 amounted to RM4.5 million (2013: RM3.9 million).

## statement on corporate governance

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

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

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

### BOARD ROLES AND RESPONSIBILITIES

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

The key responsibilities include the primary responsibilities prescribed under the Code. These cover a review of the strategic direction for the Group, overseeing and evaluating the business operations of the Group, reviewing the adequacy of the internal control, identifying principal risks and ensuring that the risks are properly managed, establishing a succession plan and developing and implementing an investor relations program. The responsibility for matters material to the Group is in

the hands of the Board, with no individuals having unfettered powers to make decisions.

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

In performing their duties, all Directors have access to the advice and services of the Company Secretary and if necessary, may seek independent professional advice about the affairs of the Group. The Company Secretary attends all Board meetings and advises the Board on regulatory procedures, the requirement of the Company's Memorandum and Articles of Association, the Companies Act, 1965 and the MMLR. The Company Secretary also ensures that there is good information flow within the Board and between the Board, Board Committees and Senior Management. Board members are provided with Board papers in advance before each Board meeting for decision, including the overall Group strategy and direction, acquisitions and divestments, approval of major capital expenditure projects and significant financial matters.

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

- Duties and responsibilities of the Board;
- Directors' Code of Ethics;
- Composition and Board balance;
- The role of Chairman and Chief Executive Officer;
- Appointments;
- Re-election;
- Supply of information;
- Separation of power;
- Board Committees;
- Remuneration;
- Financial reporting;
- General meetings;
- Investor relations and shareholder communication; and
- Relationship with other stakeholders (employees, environment, social responsibility)

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

The Group is also committed towards sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Group conducts its business. A report on the activities pertaining to corporate social responsibilities is set out in pages 58 and 65 of this annual report.

## COMPOSITION OF THE BOARD

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

A brief profile of each Director is presented on pages 72 to 75 of this annual report.

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

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

## statement on corporate governance

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

### BOARD MEETINGS

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. The Board records its deliberations, in terms of issues discussed, and the conclusions in discharging its duties and responsibilities. All Directors are fully briefed in advance of Board meetings on the matters to be discussed and have

access to any further information they may require. The Board may, whenever required, set up committees delegated with specific powers and responsibilities.

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

The number of meetings of the Board and Board Committees held during the year were:

Board of Directors	6 meetings
Audit Committee	5 meetings
Nomination Committee	2 meetings
Remuneration Committee	2 meetings

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

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

## INFORMATION FOR THE BOARD

The Directors are provided with adequate Board reports on a timely manner prior to the Board meeting to enable the Directors to obtain further explanations, where necessary. These reports provide information on the Group's performance and major operational, financial and corporate issues. Minutes of the Board Committees are also tabled at the Board meetings for the Board's information and deliberation. The Directors have access to the advice and services of the Company Secretary whose terms of appointment permit removal and appointment only by the Board as a whole.

## RE-ELECTION OF DIRECTORS

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

## BOARD INDEPENDENCE

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

The Code recommends that the tenure of an Independent Director should not exceed a cumulative term of nine years. Immediate compliance to the recommendation may pose a disadvantage to the Company in terms of losing experienced Independent Directors who over time have developed increased insight into the Company and the diversified business operations of the

Group. Their experience and exposure to the Company over the years has provided an increasing contribution to the effectiveness of the Board as a whole. As of now, the Board does not believe that it should urgently impose a fixed term limit for Independent Directors. However, the Board will seek shareholders' approval at the Annual General Meeting in respect of two (2) of the Company's Independent Directors whose tenure in that capacity exceeded nine years, as recommended by the Code.

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

## BOARD COMMITTEES

The Board appoints the following Board Committees with specific terms of reference:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Board has also approved and adopted a formal Charter that outlines the functions, duties and responsibilities of the above Board Committees, in line with the Board's objective in pursuing good governance practice.

## statement on corporate governance

### Audit Committee

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

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

### Nomination Committee

The Board has established a Nomination Committee comprising entirely Non-Executive Directors, a majority of whom are independent and is chaired by an Independent Director. The composition of the Nomination Committee is as follows:

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

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

The Terms of Reference of the Nomination Committee include:

- To assess and recommend to the Board candidates for directorship on the Board of the Company as well as membership of the Board Committees.

- To review and assess annually the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and the adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors.
- To establish the mechanism for the formal assessment of the effectiveness of individual Director, and to annually appraise the performance of the Executive Directors including the GMD based on objective performance criteria as approved by the Board.

Meetings of the Nomination Committee are held as and when necessary, and at least once a year. The Nomination Committee met twice during the year during which it recommended to the Board amongst others, on the contract renewal of the GMD and certain members of Senior Management.

### Remuneration Committee

The Board has established a Remuneration Committee consisting of the following Directors, a majority of whom are Non-Executive Directors:

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

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

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

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

The Terms of Reference of the Remuneration Committee include:

- To review annually and make recommendations to the Board the remuneration packages, reward structure and fringe benefits applicable to all Executive Directors and Senior Management to ensure that the rewards commensurate with their contributions to the Group's growth and profitability.
- To review annually the performance of the GMD and the Executive Director and recommend to the Board specific adjustments in remuneration and reward payments if any, to reflect their contributions for the year.
- To ensure that the level of remuneration of the Non-Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.
- To keep abreast of the terms and conditions of service of the GMD, the Executive Director and key Senior Management including their total remuneration packages for market comparability; and to review and recommend to the Board changes whenever necessary.
- To keep abreast of the remuneration packages of the Non-Executive Directors to ensure that they commensurate with the scope of responsibilities held and to review and recommend to the Board changes whenever necessary.

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. The Remuneration Committee met twice during the year and all the members registered full attendance.

## **BOARD APPOINTMENTS AND COMMITMENTS**

As documented in the approved Board Charter, the appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation by the Nomination Committee. The Board appoints its members through a formal and transparent selection process which is consistent with the Articles of Association of the Company. All new appointees will be considered and evaluated by the Nomination Committee for the candidates' ability in terms of their skills, knowledge, experience, expertise and integrity to discharge responsibilities as expected of them. In the case of a candidate for Independent Non-Executive Director, the Nomination Committee also evaluates the candidate's ability to discharge such responsibility or functions as expected of an Independent Non-Executive Director. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board, performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company.

The Directors are aware of the time commitment expected from each of them including attendance at Board, Board Committee and other types of meetings. The annual Board meeting calendar is planned by the Company Secretary and agreed with the Directors prior to the commencement of a new financial year.

## statement on corporate governance

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

### DIRECTORS' TRAINING

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

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

Trainings attended by the Directors during the year are as follows:

DIRECTOR	COURSE TITLE AND ORGANISER	DATE
Gen Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	<ul style="list-style-type: none"> <li>• Half Day Talk (AFFIN Holdings Berhad):               <ul style="list-style-type: none"> <li>i. Amendments to Companies Bill.</li> <li>ii. GST Implications to Non-Executive Directors.</li> <li>iii. Recovery and Resolution Planning.</li> <li>iv. Cybercriminals in the Financial Services Sector.</li> </ul> </li> </ul>	2 December 2014
	<ul style="list-style-type: none"> <li>• Half Day Talk on "Nominating and Remuneration Committees – What Every Director Should Know" (Bursatra Sdn Bhd).</li> </ul>	18 December 2014
Tan Sri Dato' Seri Lodin Wok Kamaruddin	<ul style="list-style-type: none"> <li>• Financial Services Act &amp; Islamic Financial Act 2013 (AFFIN Bank Berhad).</li> </ul>	21 January 2014
	<ul style="list-style-type: none"> <li>• FIDE Forum Dialogue with Governor – "Economic and Financial Services Sector: Trends and Challenges Moving Forward" (Financial Institutions Directors' Education (FIDE)).</li> </ul>	24 March 2014
	<ul style="list-style-type: none"> <li>• AFFIN Investment Conference Series 2014 – Look East Policy (AFFIN Investment Bank Berhad).</li> </ul>	8 April 2014
	<ul style="list-style-type: none"> <li>• High Level Roundtable on The Malaysian Code for Institutional Investors (Securities Commission and Minority Shareholder Watchdog Group (MSWG)).</li> </ul>	27 June 2014
	<ul style="list-style-type: none"> <li>• Half Day Talk on Corporate Governance (AFFIN Holdings Berhad):               <ul style="list-style-type: none"> <li>i. Anti-Money Laundering and Anti-Terrorism Financing Act 2001.</li> <li>ii. Using Risk Management as a Catalyst for Performance.</li> <li>iii. Best Practices in Ensuring Boardroom Effectiveness &amp; Accountability.</li> </ul> </li> </ul>	18 August 2014

DIRECTOR	COURSE TITLE AND ORGANISER	DATE
	<ul style="list-style-type: none"> <li>Business Leader Dialogue with the Prime Minister - "Partnerships in Nurturing Human Capital" (Securities Commission and Prime Minister's Office).</li> <li>Perdana Leadership Foundation CEO Forum 2014 (Perdana Leadership Foundation).</li> <li>Directors Breakfast Series with Beverly Behan on "Great Companies Deserves Great Boards" (Bursa Malaysia).</li> <li>Nomination Committee Programme (ICLIF and Bursa Malaysia).</li> <li>Half Day Talk (AFFIN Holdings Berhad):               <ol style="list-style-type: none"> <li>Amendments to Companies Bill.</li> <li>GST Implications to Non-Executive Directors.</li> <li>Recovery and Resolution Planning.</li> <li>Cybercriminals in the Financial Service Sector.</li> </ol> </li> </ul>	<p>26 August 2014</p> <p>24 September 2014</p> <p>10 October 2014</p> <p>15 October 2014</p> <p>2 December 2014</p>
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	<ul style="list-style-type: none"> <li>Briefing on GST (Press Metal Berhad and Boardroom Corporate Services (KL) Sdn Bhd).</li> <li>Half Day Talk (AFFIN Holdings Berhad):               <ol style="list-style-type: none"> <li>Amendments to Companies Bill.</li> <li>GST Implications to Non-Executive Directors.</li> <li>Recovery and Resolution Planning.</li> <li>Cybercriminals in the Financial Services Sector.</li> </ol> </li> </ul>	<p>12 August 2014</p> <p>2 December 2014</p>
Datuk Azzat Kamaludin	<ul style="list-style-type: none"> <li>Company Directors Advance Programme 2014: Strategy &amp; Risks (Malaysian Directors Academy (MINDA)).</li> <li>Audit Committee Workshop Series (Malaysian Institute of Accountants (MIA)).</li> <li>Khazanah Megatrends Forum 2014 (Khazanah Nasional).</li> </ul>	<p>12-13 March 2014</p> <p>17 July 2014 &amp; 7 August 2014</p> <p>29-30 September 2014</p>
Dato' Ghazali Mohd Ali	<ul style="list-style-type: none"> <li>10th Khazanah Annual Review Briefing (Khazanah Nasional).</li> <li>PNB Nominee Director's Convention 2014 (PNB).</li> <li>Anti Money Laundering &amp; Anti Terrorism Financing for Directors &amp; Senior Management (PNB).</li> <li>Global Competitiveness and The Malaysian Experience (PNB).</li> <li>Perdana Leadership Foundation CEO Forum 2014 (Perdana Leadership Foundation).</li> <li>Khazanah Megatrends Forum 2014 (Khazanah Nasional).</li> <li>Appreciation and Application of Asean Corporate Governance Scorecard (MSWG and Bursa Malaysia).</li> <li>Great Companies Deserve Great Boards &amp; Great Boards Leading The Way For Highly Innovative Companies (PNB).</li> </ul>	<p>13 February 2014</p> <p>18 February 2014</p> <p>29 May 2014</p> <p>8 September 2014</p> <p>24 September 2014</p> <p>29-30 September 2014</p> <p>7 October 2014</p> <p>8 October 2014</p>
Datuk Francis Tan Leh Kiah	<ul style="list-style-type: none"> <li>Audit Committee Workshop Series (MIA).</li> <li>National Tax Conference 2014 (LHDN and Chartered Tax Institute of Malaysia).</li> </ul>	<p>7 August 2014</p> <p>12-13 August 2014</p>

## statement on corporate governance

### DIRECTORS' REMUNERATION

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal. The level of remuneration for the GMD and Executive Director is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. A formal review of the Directors' remuneration is undertaken no less frequently than once every three years.

The details on the aggregate remuneration of Directors for the financial year ended 31 December 2014 for the Company and its Subsidiaries are as follows:

	Non-Executive Directors RM'000	Executive Directors RM'000	Total RM'000
Directors' fees	748	418	1,166
Meeting allowances	126	22	148
Salaries	–	2,831	2,831
Bonuses	–	1,704	1,704
Employees provident fund contribution	–	640	640
Benefits in kind & allowances	75	274	349
<b>Total</b>	<b>949</b>	<b>5,889</b>	<b>6,838</b>

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

	Non-Executive Directors	Executive Directors
Up to RM100,001 to RM150,000	2	
From RM250,001 to RM300,000	1	
From RM400,001 to RM450,000	1	
From RM1,850,001 to RM1,900,000		1
From RM4,000,000 to RM4,050,000		1

## ACCOUNTABILITY AND AUDIT

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

### Compliance with Applicable Financial Reporting Standards

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

### Related Party Transactions

The Group has implemented a policy for Related Party Transactions (RPT) to ensure that all transactions with related parties are entered at arm's length, on normal commercial terms and on terms that are not detrimental to the minority shareholders. Directors recognise that they have to declare their respective interests in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. All related party transactions are reviewed as part of the annual internal audit plan, and the Audit Committee reviews any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that causes questions of Management integrity to arise. The Company has obtained its shareholders' mandate for recurrent RPTs of a revenue or trading nature at the annual general meeting. Details of related party transactions are set out in Note 42 to the annual financial statements.

## Internal Control

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

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

### Relationship and Assessment of External Auditors

The Board has established transparent and appropriate relationship with the external auditors through the Audit Committee. The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report in this annual report.

The Audit Committee has received the annual confirmation of the external auditors' independence in accordance with the relevant professional and regulatory requirements. The Audit Committee believes that auditors' performance has been satisfactory and supports the resolution for their re-appointment at the forthcoming annual general meeting.

## RECOGNISE AND MANAGE RISKS

### Sound Framework to Manage Material Business Risks

The Company has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy. As required by the Board, the Management has devised and implemented appropriate risk management systems and reports to the Board and Senior Management. Management is charged with monitoring the effectiveness of risk management systems and is required to report to the Board via the Risk Management Committee. The Board has received, and will continue to receive periodic reports through the Risk Management Committee, summarising the results of risk management issues and initiatives at the Group.

## statement on corporate governance

### Internal Audit Function

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

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

### TIMELY DISCLOSURE AND INVESTOR RELATIONS

The Company is fully committed in maintaining a high standard for the dissemination of relevant and material information on the development of the Group. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders. The Company uses a number of formal channels for effective dissemination of information to the shareholders and stakeholders particularly through the annual report, announcements to Bursa Malaysia, media releases, quarterly results analyst briefings, company websites and investor relations.

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

The Deputy Chairman/Group Managing Director and the Senior Management meet regularly with analysts, institutional shareholders and investors. At general meetings, the Board encourages shareholders' participation and responds to their questions. Shareholders can also leave written questions for the Board to respond. The Share Registrar is available to attend to matters relating to shareholder interests. The primary contact for investor relations matters is:

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

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

### EFFECTIVE COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS

The Company is of the view that the Annual General Meeting and other general meetings are important opportunities for meeting investors and addressing their concerns. The Board, Senior Management and external auditors attend all such meetings. Registered shareholders are invited to attend and participate actively in such meetings, including clarifying and questioning the Company's strategic direction, business operations, performance and proposed resolutions.

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

**This statement is made in accordance with a resolution of the Board of Directors dated 3 March 2015.**

# directors' responsibility statement

---

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

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

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

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

**This statement is made in accordance with a resolution of the Board of Directors dated 3 March 2015.**

# statement on risk management and internal control

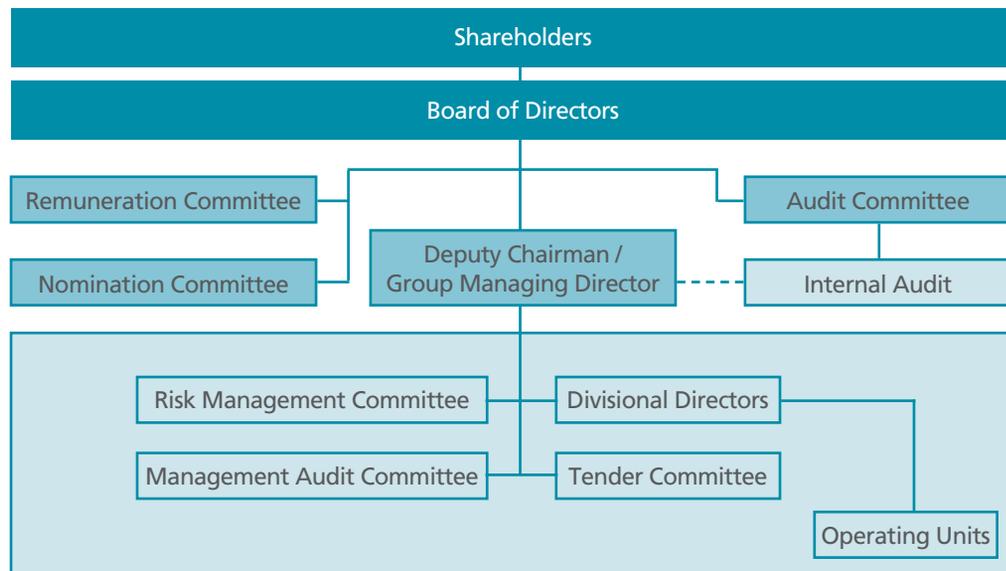
## BOARD RESPONSIBILITY

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

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

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

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



## RISK MANAGEMENT

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

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

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

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

- formalisation of risk management policy and procedures and adopted a structured and systematic risk assessment, monitoring and reporting framework;
- appointment of dedicated risk officer to coordinate the ERM activities within the Group, to supervise the ERM policy implementation and documentation at Group level and to act as the central contact and guide for ERM issues within the Group;

- heightened risk awareness culture in the business processes through risk owners' accountability and sign-off for action plans and continuous monitoring;
- compilation of the business units' risk profiles in relation to the Group risk parameters, the top risks from each business segment and reported to the Risk Management Committee for review, deliberation and approval;
- fostered a culture of continuous improvement in risk management through risk review meetings; and
- provided a system to manage the central accumulation of risk profiles data with risk significance rating for the profiles as a tool for prioritising risk action plans.

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

Amidst delivering growth for its stakeholders, the Group will continue its focus on sound risk assessment practices and internal control to ensure that the Group is well equipped to manage the various challenges arising from the dynamic business and competitive environment.

## statement on risk management and internal control

### KEY ELEMENTS OF INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

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

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

**This statement is made in accordance with a resolution of the Board of Directors dated 3 March 2015.**

# financial statements

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# directors' report

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

Boustead Holdings Berhad is an investment holding company incorporated in Malaysia in 1960. The Company's other principal activities include the provision of management services to Subsidiaries and property investment. The principal activities of the Subsidiaries, associates and joint ventures are stated on pages 204 to 209. There have been no significant changes in the nature of these activities during the financial year under review.

## RESULTS

	Group RM Million	Company RM Million
Profit for the year attributable to:		
Shareholders of the Company	408.2	207.0
Holders of Perpetual Sukuk	54.5	54.5
Non-controlling interests	70.6	–
	533.3	261.5

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the dilution of the Group's interests in Boustead Plantations Berhad and the fair value gain on investment properties as disclosed in notes to the financial statements.

## DIVIDENDS

During the financial year under review, the Company paid the fourth interim dividend of 7.5 sen per share totalling RM77.6 million in respect of the financial year ended 31 December 2013 as declared in the Directors' report of that year.

## DIVIDENDS (CONT'D.)

The Directors have declared the following dividends in respect of the financial year ended 31 December 2014:

	Net dividend		Payment date
	Sen per share	RM Million	
First interim dividend	7.5	77.6	30 June 2014
Second interim dividend	7.5	77.6	30 September 2014
Third interim dividend	6.0	62.0	31 December 2014
Fourth interim dividend	5.0	51.7	31 March 2015
	26.0	268.9	

## DIRECTORS

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

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

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate. Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 42 to the financial statements.

## REMUNERATION COMMITTEE

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the Deputy Chairman/Group Managing Director, Executive Director and senior executives on an annual basis and makes recommendations to the Board. The members of the Remuneration Committee are:

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

## directors' report

### DIRECTORS' INTERESTS

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

	At 1/1/14	Acquired	Sold	At 31/12/14
<i>Ordinary shares of RM0.50 each</i>				
<b>Boustead Holdings Berhad</b>				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	28,192,758	-	-	28,192,758
Datuk Azzat Kamaludin	44,000	-	-	44,000
<b>Pharmaniaga Berhad</b>				
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	220,000	-	-	220,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin	12,500,148	-	-	12,500,148
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	121,000	-	-	121,000
Datuk Azzat Kamaludin	226,260	-	-	226,260
Dato' Ghazali Mohd Ali	143,000	-	-	143,000
<b>Boustead Plantations Berhad</b>				
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	-	*1,560,000	-	1,560,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin	-	*31,381,600	-	31,381,600
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	-	*1,590,000	-	1,590,000
Datuk Azzat Kamaludin	-	*1,508,800	-	1,508,800
Dato' Ghazali Mohd Ali	-	*1,234,000	-	1,234,000
Datuk Francis Tan Leh Kiah	-	*1,500,000	240,000	1,260,000
<i>Ordinary shares of RM1.00 each</i>				
<b>Boustead Heavy Industries Corporation Berhad</b>				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	-	-	2,000,000
Datuk Azzat Kamaludin	400,000	-	50,000	350,000
Dato' Ghazali Mohd Ali	75,000	-	-	75,000
<b>Boustead Petroleum Sdn Bhd</b>				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	-	-	5,916,465
<b>Affin Holdings Berhad</b>				
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	91,708	*27,512	-	119,220
Tan Sri Dato' Seri Lodin Wok Kamaruddin	808,714	*242,614	-	1,051,328
Datuk Azzat Kamaludin	110,000	*33,000	-	143,000
Datuk Francis Tan Leh Kiah	20,000	*10,000	-	30,000

\* Increase pursuant to initial public offering/rights issue.

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## OTHER STATUTORY INFORMATION

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

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## **directors' report**

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### **SIGNIFICANT EVENTS**

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

### **AUDITORS**

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

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

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

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

Kuala Lumpur  
3 March 2015

# statement by directors and statutory declaration

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

In the opinion of the Directors, the accompanying financial statements set out on pages 108 to 209 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 45 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on format prescribed by Bursa Malaysia Securities Berhad.

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

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

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

Kuala Lumpur  
3 March 2015

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

I, DANIEL EBINESAN, being the officer responsible for the financial management of BOUSTEAD HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 108 to 209 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 3 March 2015

Before me

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

**DANIEL EBINESAN**

# independent auditors' report

to the members of Boustead Holdings Berhad

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## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Boustead Holdings Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 108 to 202 and pages 204 to 209.

### Directors' responsibility for the financial statements

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

### Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its Subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the Subsidiaries of which we have not acted as auditors, which are indicated on pages 204 to 208, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the Subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the Subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 45 on page 203 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

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

### ERNST & YOUNG

AF: 0039

Chartered Accountants

### ISMED DARWIS BIN BAHATIAH

No. 2921/04/16(J)

Chartered Accountant

Kuala Lumpur, Malaysia  
3 March 2015

# income statements

for the year ended 31 december 2014

	Note	Group		Company	
		2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Revenue</b>	5	<b>10,608.2</b>	11,212.0	<b>229.3</b>	371.3
Operating cost	6	<b>(9,975.1)</b>	(10,707.9)	<b>(30.2)</b>	(19.3)
Results from operations		<b>633.1</b>	504.1	<b>199.1</b>	352.0
Interest income	7	<b>29.1</b>	12.6	<b>53.8</b>	35.1
Other investment results	8	<b>96.1</b>	139.2	<b>124.9</b>	21.4
Finance cost	9	<b>(289.0)</b>	(260.7)	<b>(110.3)</b>	(122.1)
Share of results of associates and joint ventures		<b>216.4</b>	175.7	–	–
Fair value gain on deemed disposal of investments		–	136.8	–	–
<b>Profit before taxation</b>		<b>685.7</b>	707.7	<b>267.5</b>	286.4
Income tax expense	10	<b>(152.4)</b>	(147.9)	<b>(6.0)</b>	(28.9)
<b>Profit for the year</b>		<b>533.3</b>	559.8	<b>261.5</b>	257.5
Attributable to:					
Shareholders of the Company		<b>408.2</b>	478.8	<b>207.0</b>	257.5
Holders of Perpetual Sukuk		<b>54.5</b>	–	<b>54.5</b>	–
Non-controlling interests		<b>70.6</b>	81.0	–	–
<b>Profit for the year</b>		<b>533.3</b>	559.8	<b>261.5</b>	257.5
<b>Earnings per share – sen Basic/diluted</b>	11	<b>39.47</b>	46.30		

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

# statements of comprehensive income

for the year ended 31 december 2014

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Profit for the year</b>	<b>533.3</b>	559.8	<b>261.5</b>	257.5
Other comprehensive income/(loss):				
<i>Items that might be reclassified to profit or loss</i>				
Net gain on available for sale investments				
– Fair value changes	<b>(4.6)</b>	(130.5)	<b>(0.6)</b>	0.8
– Transfer to profit or loss upon disposal	<b>1.3</b>	(2.5)	–	–
– Fair value gain on deemed disposal of investments	–	(136.8)	–	–
Foreign currency translation	<b>3.9</b>	(5.7)	–	–
Share of other comprehensive income of investments accounted for using equity method	<b>4.7</b>	3.1	–	–
<b>Total comprehensive income for the year</b>	<b>538.6</b>	287.4	<b>260.9</b>	258.3
Attributable to:				
Shareholders of the Company	<b>411.2</b>	210.5	<b>206.4</b>	258.3
Holders of Perpetual Sukuk	<b>54.5</b>	–	<b>54.5</b>	–
Non-controlling interests	<b>72.9</b>	76.9	–	–
<b>Total comprehensive income for the year</b>	<b>538.6</b>	287.4	<b>260.9</b>	258.3

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

# statements of financial position

as at 31 december 2014

	Note	Group		Company	
		2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	5,003.3	4,621.4	2.4	4.2
Biological assets	14	1,261.2	1,239.5	–	–
Investment properties	15	1,534.2	1,320.8	87.9	81.0
Development properties	16	501.5	339.2	–	–
Prepaid land lease payments	17	62.6	69.0	–	–
Long term prepayments	18	153.7	152.2	–	–
Deferred tax assets	19	53.3	61.7	–	–
Subsidiaries	20	–	–	2,948.4	2,952.9
Associates	21	1,789.6	1,480.1	939.4	683.3
Joint ventures	22	363.0	110.8	–	–
Investments	23	38.3	45.1	5.7	6.4
Intangible assets	24	1,376.3	1,277.1	–	–
<b>Total non-current assets</b>		<b>12,137.0</b>	10,716.9	<b>3,983.8</b>	3,727.8
<b>Current assets</b>					
Inventories	25	689.8	718.2	–	–
Property development in progress	26	163.7	36.4	–	–
Due from customers on contracts	27	1,312.8	1,199.8	–	–
Receivables	28	1,219.1	1,808.7	1,162.4	683.8
Deposits, cash and bank balances	29	1,157.9	637.9	5.9	5.3
<b>Total current assets</b>		<b>4,543.3</b>	4,401.0	<b>1,168.3</b>	689.1
<b>Total assets</b>		<b>16,680.3</b>	15,117.9	<b>5,152.1</b>	4,416.9

	Note	Group		Company	
		2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to shareholders of the Company</b>					
Share capital	30	517.1	517.1	517.1	517.1
Perpetual Sukuk	31	1,140.7	678.6	1,140.7	678.6
Reserves	32	4,222.0	4,037.9	1,308.5	1,403.6
<b>Shareholders' equity</b>		<b>5,879.8</b>	5,233.6	<b>2,966.3</b>	2,599.3
Non-controlling interests		1,693.5	691.6	–	–
<b>Total equity</b>		<b>7,573.3</b>	5,925.2	<b>2,966.3</b>	2,599.3
<b>Non-current liabilities</b>					
Borrowings	33	2,196.0	3,066.5	409.0	920.4
Payables	34	26.7	26.7	–	–
Deferred tax liabilities	19	90.3	93.2	1.5	1.2
<b>Total non-current liabilities</b>		<b>2,313.0</b>	3,186.4	<b>410.5</b>	921.6
<b>Current liabilities</b>					
Borrowings	33	4,884.7	3,569.5	1,657.9	529.9
Payables	34	1,812.8	2,316.6	117.4	366.1
Due to customers on contracts	27	70.4	97.8	–	–
Taxation		26.1	22.4	–	–
<b>Total current liabilities</b>		<b>6,794.0</b>	6,006.3	<b>1,775.3</b>	896.0
<b>Total liabilities</b>		<b>9,107.0</b>	9,192.7	<b>2,185.8</b>	1,817.6
<b>Total equity and liabilities</b>		<b>16,680.3</b>	15,117.9	<b>5,152.1</b>	4,416.9

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

# statements of changes in equity

for the year ended 31 december 2014

	Share capital RM Million	Perpetual Sukuk RM Million	Reserves RM Million	Total attributable to shareholders of the Company RM Million	Non- controlling interests RM Million	Total equity RM Million
<b>Group</b>						
At 1 January 2013	517.1	–	4,138.9	4,656.0	665.9	5,321.9
Total comprehensive income for the year	–	–	210.5	210.5	76.9	287.4
<b>Transactions with owners</b>						
Additional investment in a Subsidiary	–	–	(1.1)	(1.1)	(2.4)	(3.5)
Issue of shares by a Subsidiary	–	–	–	–	0.2	0.2
Issuance of Perpetual Sukuk (Note 31)	–	678.6	–	678.6	–	678.6
Dividends (Note 12)	–	–	(310.4)	(310.4)	(49.0)	(359.4)
At 31 December 2013 and 1 January 2014	<b>517.1</b>	<b>678.6</b>	<b>4,037.9</b>	<b>5,233.6</b>	<b>691.6</b>	<b>5,925.2</b>
Total comprehensive income for the year	–	<b>54.5</b>	<b>411.2</b>	<b>465.7</b>	<b>72.9</b>	<b>538.6</b>
<b>Transactions with owners</b>						
Changes in ownership interest in Subsidiaries						
– Partial disposal of a Subsidiary	–	–	<b>10.1</b>	<b>10.1</b>	<b>148.6</b>	<b>158.7</b>
– Issue of shares by Subsidiaries	–	–	<b>62.3</b>	<b>62.3</b>	<b>850.3</b>	<b>912.6</b>
– Acquisition of a Subsidiary	–	–	–	–	<b>8.4</b>	<b>8.4</b>
– Additional investment in a Subsidiary	–	–	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.1</b>	–
Share of effect on changes in group structure of an associate	–	–	<b>2.1</b>	<b>2.1</b>	–	<b>2.1</b>
Perpetual Sukuk (Note 31)						
– Issuance	–	<b>451.0</b>	<b>(2.3)</b>	<b>448.7</b>	–	<b>448.7</b>
– Distribution	–	<b>(47.8)</b>	–	<b>(47.8)</b>	–	<b>(47.8)</b>
Transfer during the year	–	<b>4.4</b>	<b>(4.4)</b>	–	–	–
Dividends (Note 12)	–	–	<b>(294.8)</b>	<b>(294.8)</b>	<b>(78.4)</b>	<b>(373.2)</b>
At 31 December 2014	<b>517.1</b>	<b>1,140.7</b>	<b>4,222.0</b>	<b>5,879.8</b>	<b>1,693.5</b>	<b>7,573.3</b>

	Share capital RM Million	Perpetual Sukuk RM Million	Share premium RM Million	Fair value reserve RM Million	Retained earnings RM Million	Total equity RM Million
<b>Company</b>						
At 1 January 2013	517.1	–	1,165.1	1.5	289.1	1,972.8
Total comprehensive income for the year	–	–	–	0.8	257.5	258.3
<b>Transactions with owners</b>						
Issuance of Perpetual Sukuk (Note 31)	–	678.6	–	–	–	678.6
Dividends (Note 12)	–	–	–	–	(310.4)	(310.4)
At 31 December 2013 and 1 January 2014	<b>517.1</b>	<b>678.6</b>	<b>1,165.1</b>	<b>2.3</b>	<b>236.2</b>	<b>2,599.3</b>
Total comprehensive income for the year	–	<b>54.5</b>	–	<b>(0.6)</b>	<b>207.0</b>	<b>260.9</b>
<b>Transactions with owners</b>						
Perpetual Sukuk (Note 31)						
– Issuance	–	<b>451.0</b>	–	–	<b>(2.3)</b>	<b>448.7</b>
– Distribution	–	<b>(47.8)</b>	–	–	–	<b>(47.8)</b>
Transfer during the year	–	<b>4.4</b>	–	–	<b>(4.4)</b>	–
Dividends (Note 12)	–	–	–	–	<b>(294.8)</b>	<b>(294.8)</b>
At 31 December 2014	<b>517.1</b>	<b>1,140.7</b>	<b>1,165.1</b>	<b>1.7</b>	<b>141.7</b>	<b>2,966.3</b>

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

# statements of cash flows

for the year ended 31 december 2014

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Operating activities</b>				
Cash receipts from customers	<b>11,098.8</b>	10,680.4	<b>7.1</b>	6.8
Cash paid to suppliers and employees	<b>(9,548.5)</b>	(9,684.1)	<b>(27.9)</b>	(25.1)
Cash generated from/(used in) operations	<b>1,550.3</b>	996.3	<b>(20.8)</b>	(18.3)
Income taxes (paid)/refunded	<b>(142.8)</b>	(139.7)	<b>(4.8)</b>	19.6
Net cash from/(used in) operating activities	<b>1,407.5</b>	856.6	<b>(25.6)</b>	1.3
<b>Investing activities</b>				
Acquisition of a Subsidiary (Note 44)	<b>(69.2)</b>	21.5	–	–
Additional investment in associates and joint ventures	<b>(448.6)</b>	(15.8)	<b>(288.0)</b>	–
Settlement of consideration on acquisition of a Subsidiary (Note 34)	<b>(611.1)</b>	–	–	–
Partial disposal of a Subsidiary	<b>158.7</b>	–	<b>158.7</b>	–
Disposal of an associate	<b>0.9</b>	1.7	–	0.1
Investments purchased	<b>(8.9)</b>	(21.7)	<b>(0.1)</b>	(0.1)
Proceeds from disposal of investment property	–	113.9	–	–
Proceeds from disposal of investments	<b>14.0</b>	60.4	<b>0.1</b>	–
Biological assets and property, plant and equipment				
– Purchases	<b>(665.1)</b>	(463.4)	<b>(0.6)</b>	(0.1)
– Disposals	<b>43.6</b>	47.0	<b>2.1</b>	8.3
Purchase and development of investment properties and development properties	<b>(365.2)</b>	(224.5)	<b>(1.1)</b>	–
Purchase of intangible assets	<b>(56.5)</b>	(36.2)	–	–
Dividends received	<b>111.1</b>	92.7	<b>314.6</b>	215.1
Interest received	<b>29.1</b>	12.6	<b>53.8</b>	35.1
Net cash (used in)/from investing activities	<b>(1,867.2)</b>	(411.8)	<b>239.5</b>	258.4

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Financing activities</b>				
Dividends paid				
– By the Company	<b>(294.8)</b>	(310.4)	<b>(294.8)</b>	(310.4)
– By Subsidiaries	<b>(78.4)</b>	(49.0)	–	–
Perpetual Sukuk				
– Issuance	<b>448.7</b>	678.6	<b>448.7</b>	678.6
– Distribution	<b>(47.8)</b>	–	<b>(47.8)</b>	–
Issue of shares by Subsidiaries to non-controlling interests				
– Initial public offering of a Subsidiary	<b>907.0</b>	–	–	–
– Others	<b>0.3</b>	0.2	–	–
Proceeds from long term loans	<b>324.9</b>	488.2	–	159.4
Repayment of long term loans	<b>(1,023.8)</b>	(142.6)	<b>(85.5)</b>	(50.0)
(Decrease)/increase of revolving credits and bankers' acceptances	<b>1,136.0</b>	(471.8)	<b>700.0</b>	(605.0)
Net payments to Group companies	–	–	<b>(824.2)</b>	(7.0)
Interest paid	<b>(393.7)</b>	(354.0)	<b>(110.1)</b>	(124.1)
Net cash from/(used in) financing activities	<b>978.4</b>	(160.8)	<b>(213.7)</b>	(258.5)
Net increase in cash and cash equivalents	<b>518.7</b>	284.0	<b>0.2</b>	1.2
Foreign currency translation difference	<b>(0.3)</b>	(1.1)	–	–
Cash and cash equivalents at beginning of year	<b>607.8</b>	324.9	<b>(9.5)</b>	(10.7)
Cash and cash equivalents at end of year	<b>1,126.2</b>	607.8	<b>(9.3)</b>	(9.5)
<b>Cash and cash equivalents at end of year</b>				
Deposits, cash and bank balances (Note 29)	<b>1,157.9</b>	637.9	<b>5.9</b>	5.3
Overdrafts (Note 33)	<b>(31.7)</b>	(30.1)	<b>(15.2)</b>	(14.8)
	<b>1,126.2</b>	607.8	<b>(9.3)</b>	(9.5)

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

# accounting policies

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## (A) BASIS OF PREPARATION

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

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

## (B) BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## accounting policies

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

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

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

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

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

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

### (D) FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 38.

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

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

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

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

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

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

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

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

## **(E) INTANGIBLE ASSETS**

### **(a) Goodwill**

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

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

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

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## accounting policies

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

#### (b) Other intangible assets

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

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

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

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

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

#### (i) Concession right

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

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

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

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

**(ii) Research and development**

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

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

**(iii) Rights to supply**

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

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

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

Pharmacy manufacturing licence and trade name acquired in a business combination are recognised at fair value at the acquisition date.

The pharmacy manufacturing licence represents the rights to manufacture pharmaceutical products in Indonesia and has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of pharmacy manufacturing licence over a period of 9 years.

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

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## accounting policies

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### (F) CURRENCY CONVERSION

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company. All transactions are recorded in Ringgit Malaysia. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its Subsidiaries and recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations which are recognised initially in other comprehensive income and accumulated under foreign exchange currency reserve in equity. The foreign exchange currency reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

#### (b) Consolidated financial statements

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

## (G) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

## (H) BIOLOGICAL ASSETS

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

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

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## accounting policies

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### (I) INVESTMENT PROPERTIES

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

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

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

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

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

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

### (J) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS

#### (a) Development properties

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

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

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

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

**(b) Property development in progress**

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

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

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

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

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

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

**(K) LONG TERM PREPAYMENTS**

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

**(L) CONSTRUCTION CONTRACTS**

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

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

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

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

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

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## accounting policies

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### (M) REVENUE RECOGNITION

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

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

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

### (N) INCOME TAXES

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

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date.

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

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in Subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

**(O) EMPLOYEE BENEFITS**

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

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

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## accounting policies

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### (P) INVENTORIES

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

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

### (Q) FINANCIAL ASSETS

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

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

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

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

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

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

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

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

**(b) Loans and receivables**

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

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

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

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

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

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

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

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

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## accounting policies

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### (R) IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **(U) FINANCIAL LIABILITIES**

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

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

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

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

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## accounting policies

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### (U) FINANCIAL LIABILITIES (CONT'D.)

#### (b) Other financial liabilities

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

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

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

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

### (V) LEASES

#### (a) Finance lease

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

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

#### (b) Operating lease

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

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

The tenure of the Group's leasehold land ranges from 2 to 90 years (2013: 2 to 90 years).

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

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

**(X) SEGMENT REPORTING**

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

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

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

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

**(Z) BORROWING COSTS**

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

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

**(AA) CONTINGENCIES**

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

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

# notes to the financial statements

## 1. GENERAL INFORMATION

Boustead Holdings Berhad is an investment holding company. The Company's other principal activities include the provision of management services to Subsidiaries and property investment. The Company is a public limited liability company, incorporated in Malaysia in 1960, and listed on the Main Market of Bursa Malaysia Securities Berhad. The Company's registered office is located at Menara Boustead, Jalan Raja Chulan, Kuala Lumpur. Information on the Group's investment in Subsidiaries, associates and joint ventures is set out on pages 204 to 209 of this annual report.

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

These financial statements are presented in Ringgit Malaysia and rounded to the nearest million, unless otherwise stated.

These financial statements were authorised for issue in accordance with a resolution of the Directors on 3 March 2015.

## 2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company adopted for the first time the following new and amended FRSs which are effective for annual period beginning on or after 1 January 2014:

- Amendments to FRS 10 Consolidated Financial Statements – Investment Entities
- Amendments to FRS 12 Disclosures on Interests in Other Entities
- Amendments to FRS 127 Separate Financial Statements – Investing Entities
- Amendments to FRS 132 Financial Instruments Presentation Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 7 Financial Instruments Disclosures – Mandatory Dates of FRS 9 and Transition Disclosures
- Amendments to FRS 136 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to FRS 139 Financial Instruments Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 Levies

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

## 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

### Effective for annual period beginning on or after 1 July 2014

- Amendment to FRS 2 Share-Based Payments (Annual Improvements to FRSs 2010 – 2012 Cycle)
- Amendment to FRS 3 Business Combinations (Annual Improvements to FRSs 2010 – 2012 and 2011 – 2013 Cycles)
- Amendment to FRS 8 Operating Segments (Annual Improvements to FRSs 2010 – 2012 Cycle)
- FRS 13 Fair Value Measurement (Annual Improvements to FRSs 2011 - 2013 Cycle)

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

#### Effective for annual period beginning on or after 1 July 2014 (cont'd.)

- Amendment to FRS 116 Property Plant and Equipment (Annual Improvements to FRSs 2010 – 2012 Cycle)
- Amendment to FRS 119 Employee Benefit – Defined Benefit Plans: Employee Contribution
- Amendment to FRS 124 Related Party Disclosures (Annual Improvements to FRSs 2010 – 2012 Cycle)
- Amendment to FRS 138 Intangible Assets (Annual Improvements to FRSs 2010 – 2012 Cycle)
- Amendment to FRS 140 Investment Property (Annual Improvements to FRSs 2011 - 2013 Cycle)

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

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

#### Effective for annual period beginning on or after 1 January 2017

- FRS 15 Revenue from Contracts with Customers

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

- FRS 9 Financial Instruments (2014)
- Amendments to FRS 7 Financial Instruments Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures

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## notes to the financial statements

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

#### **Amendments to FRS 10 and FRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments clarify that:

- Gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- Gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

#### **Amendments to FRS 127 - Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. The amendments are to be applied retrospectively from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

#### **FRS 15 Revenue from Contracts with Customers**

FRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. FRS 15 will supersede the current revenue recognition guidance including FRS 118 Revenue, FRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of FRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under FRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Directors do not anticipate that the application of FRS 15 will have a material impact on the Group's and the Company's financial statements.

#### **FRS 9 Financial Instruments**

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

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

#### MFRS Framework

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework is effective for annual periods beginning on or after 1 January 2012 for all entities except for entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called Transitioning Entities). Adoption of the MFRS framework by Transitioning Entities will only be mandatory for annual periods beginning on or after 1 January 2017.

The Group falls under the scope definition of Transitioning Entities and has opted to adopt MFRS for annual periods beginning on 1 January 2017. When the Group presents its first MFRS financial statements in 2017, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made retrospectively against opening retained profits.

### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### (a) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment of intangible assets at each reporting date. Intangible assets are tested for impairment annually and at any other time when such indicators exist. Intangible assets are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges. Further details of the key assumptions applied in the impairment assessment of intangible assets are given in Note 24.

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

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

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## notes to the financial statements

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

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

The Group reviews the carrying amounts of the biological assets and property, plant and equipment as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of biological assets and property, plant and equipment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

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

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 28.

#### (e) Property development

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

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

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

#### (f) Construction contracts

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

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

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

##### (g) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unused tax credits and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating cost, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation.

These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The total carrying value of the Group's recognised tax losses, tax credits and capital allowances and the unrecognised tax losses, tax credits and capital allowances are disclosed in Note 19.

#### 5. REVENUE

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Sale of produce	716.0	678.0	–	–
Sale of goods				
– Petroleum products	4,642.6	4,859.9	–	–
– Pharmaceutical products	2,122.9	1,946.6	–	–
– Building materials	381.1	406.5	–	–
– Others	14.6	12.3	–	–
Ship repair	345.8	351.4	–	–
Shipbuilding	1,121.4	1,700.8	–	–
Sale of development properties	359.8	359.3	–	–
Rental income	123.0	115.0	7.3	7.2
Hotel operations	177.1	155.6	–	–
Tuition fees	136.6	124.8	–	–
Air transportation and flight services	387.3	409.3	–	–
Chartering of vessels	33.3	39.6	–	–
Gross dividends from quoted shares in Malaysia				
– Subsidiaries	–	–	69.2	21.0
– Associate	–	–	60.3	46.4
– Others	–	–	0.1	0.2
Gross dividends from unquoted shares in Malaysia				
– Subsidiaries	–	–	68.8	284.4
– Associates and joint ventures	–	–	17.0	5.9
– Others	–	–	–	0.3
Others	46.7	52.9	6.6	5.9
	<b>10,608.2</b>	<b>11,212.0</b>	<b>229.3</b>	<b>371.3</b>

## notes to the financial statements

### 6. OPERATING COST

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Changes in inventories of finished goods and work in progress	19.1	30.2	–	–
Finished goods and work in progress purchases	6,294.1	6,351.3	–	–
Raw material and consumables used	1,781.0	2,386.2	–	–
Staff costs	649.6	605.4	12.4	11.8
Defined contribution plans	84.0	78.6	1.9	1.9
Depreciation and amortisation				
– Property, plant and equipment (Note 13)	258.7	243.6	0.6	0.7
– Prepaid land lease payments (Note 17)	2.1	2.1	–	–
– Long term prepayments (Note 18)	8.7	8.3	–	–
– Intangible assets (Note 24)	26.2	43.0	–	–
Statutory audit fees				
– Auditor of the Company	2.8	2.9	0.3	0.3
– Others	0.6	0.6	–	–
Directors' fees – current year	1.2	1.0	0.4	0.4
Directors' remuneration				
– Emoluments	5.3	4.4	3.6	0.2
– Benefits	0.3	0.7	0.1	–
Gain on disposal of property, plant and equipment	(20.5)	(29.8)	(0.3)	(7.4)
Gain on disposal of investment properties	–	(14.9)	–	–
Property, plant and equipment (Note 13)				
– Written off	0.8	–	–	–
– Impairment loss	–	16.7	–	–
Biological assets written off (Note 14)	–	0.5	–	–
Trade receivables (Note 28)				
– Impairment loss	15.7	81.5	–	–
– Reversal of impairment loss	(3.9)	(5.0)	–	–
Other operating cost	849.3	900.6	11.2	11.4
	<b>9,975.1</b>	<b>10,707.9</b>	<b>30.2</b>	<b>19.3</b>



## notes to the financial statements

### 8. OTHER INVESTMENT RESULTS

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Gross dividends				
– Quoted shares in Malaysia	1.0	88.6	–	–
– Unquoted shares in Malaysia	–	0.3	–	–
Profit/(loss) on disposal of				
– Subsidiaries	–	–	–	17.8
– Associates	0.9	(2.8)	–	(3.4)
– Other investments	1.6	4.7	–	–
Profit on partial disposal of a Subsidiary (Note 43)	–	–	119.1	–
Net fair value gain on investment properties (Note 15)	92.6	48.4	5.8	3.4
Net gain on waiver of loans with Subsidiaries	–	–	–	3.6
	<b>96.1</b>	139.2	<b>124.9</b>	21.4

### 9. FINANCE COST

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Interest expense on				
– Loans from Subsidiaries	–	–	2.4	15.4
– Bank borrowings	288.0	255.3	50.9	53.4
– Bank guaranteed medium term notes	57.0	53.3	57.0	53.3
– Asset-backed bonds	47.6	48.1	–	–
	<b>392.6</b>	356.7	<b>110.3</b>	122.1
Capitalised in qualifying assets	<b>(103.6)</b>	(96.0)	–	–
	<b>289.0</b>	260.7	<b>110.3</b>	122.1

## 10. INCOME TAX EXPENSE

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Tax expense for the year				
– Malaysian income tax	<b>151.0</b>	125.6	<b>5.7</b>	26.4
– Foreign income tax	<b>0.7</b>	3.0	–	–
– Deferred tax relating to origination and reversal of temporary differences (Note 19)	<b>5.6</b>	35.8	<b>0.3</b>	0.8
	<b>157.3</b>	164.4	<b>6.0</b>	27.2
Under/(over) provision in prior year				
– Malaysian income tax	<b>0.6</b>	(11.0)	–	1.3
– Deferred tax (Note 19)	<b>(5.5)</b>	(5.5)	–	0.4
	<b>152.4</b>	147.9	<b>6.0</b>	28.9

Domestic current income tax is calculated at the Malaysian statutory rate of 25% (2013: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective from year of assessment 2016. The computation of deferred tax as at 31 December 2014 has reflected these changes.

## notes to the financial statements

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

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

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Profit before taxation	<b>685.7</b>	707.7	<b>267.5</b>	286.4
Taxation at Malaysian statutory rate of 25% (2013: 25%)	<b>171.4</b>	176.9	<b>66.9</b>	71.6
Effect of changes in statutory tax rate	<b>0.3</b>	(1.1)	–	–
Income not subject to tax	<b>(5.4)</b>	(48.8)	<b>(85.3)</b>	(57.2)
Share of results in associates and joint ventures	<b>(54.1)</b>	(43.9)	–	–
Non-deductible expenses	<b>65.3</b>	64.3	<b>25.6</b>	12.8
Tax incentives	<b>(2.6)</b>	(3.0)	–	–
Deferred tax assets not recognised	<b>20.7</b>	43.0	–	–
Benefit from previously unrecognised tax losses and unabsorbed capital allowances	<b>(18.8)</b>	(19.9)	–	(0.4)
Difference in tax rate	<b>(19.5)</b>	(8.7)	<b>(1.2)</b>	(0.7)
Effect on recharging deferred tax arising from the change in real property gains tax regulations	–	5.7	–	1.1
Others	–	(0.1)	–	–
	<b>157.3</b>	164.4	<b>6.0</b>	27.2
(Over)/under provision in prior year	<b>(4.9)</b>	(16.5)	–	1.7
Income tax expense recognised in profit or loss	<b>152.4</b>	147.9	<b>6.0</b>	28.9

## 11. EARNINGS PER SHARE

Basic and diluted earnings per share of the Group is calculated by dividing the consolidated profit for the year attributable to shareholders of the Company of RM408.2 million (2013: RM478.8 million) by the weighted average number of ordinary shares in issue during the year of 1,034.2 million (2013: 1,034.2 million).

## 12. DIVIDENDS

	Dividend amount		Dividend per share	
	2014 RM Million	2013 RM Million	2014 Sen	2013 Sen
Dividends on ordinary shares in respect of financial year ended 31 December				
– First interim	<b>77.6</b>	77.6	<b>7.5</b>	7.5
– Second interim	<b>77.6</b>	77.6	<b>7.5</b>	7.5
– Third interim	<b>62.0</b>	77.6	<b>6.0</b>	7.5
	<b>217.2</b>	232.8	<b>21.0</b>	22.5
Fourth interim dividend paid in respect of the previous financial year	<b>77.6</b>	77.6	<b>7.5</b>	7.5
	<b>294.8</b>	310.4	<b>28.5</b>	30.0

Subsequent to the end of the current financial year, the Directors declared a fourth interim dividend of 5.0 sen per share amounting to RM51.7 million in respect of the financial year ended 31 December 2014. The dividend which will be paid on 31 March 2015 will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

## notes to the financial statements

### 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM Million	Aircraft and vessels RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
<b>Group – 2014</b>					
<b>Cost or valuation</b>					
At 1 January	3,039.7	1,161.2	786.0	678.5	5,665.4
Acquisition of a Subsidiary (Note 44)	7.0	–	0.8	6.9	14.7
Additions	399.1	–	25.9	218.3	643.3
Disposals	(6.7)	–	(1.4)	(23.5)	(31.6)
Written off (Note 6)	–	–	(5.5)	(3.6)	(9.1)
Transfer (to)/from					
– Biological assets (Note 14)	0.8	–	–	–	0.8
– Investment properties (Note 15)	(2.4)	–	–	(3.7)	(6.1)
– Prepaid land lease payments (Note 17)	6.2	–	–	–	6.2
Reclassification	96.1	–	46.1	(142.2)	–
Exchange adjustment	0.1	–	–	–	0.1
At 31 December	3,539.9	1,161.2	851.9	730.7	6,283.7
<b>Depreciation and impairment loss</b>					
At 1 January	209.5	172.8	321.0	340.7	1,044.0
Charge for the year					
– Recognised in profit or loss (Note 6)	70.1	66.9	60.1	61.6	258.7
– Capitalised in contract cost (Note 27)	1.5	–	0.9	2.9	5.3
Transfer (to)/from					
– Investment properties (Note 15)	(1.5)	–	–	–	(1.5)
– Prepaid land lease payments (Note 17)	0.4	–	–	–	0.4
Disposals	(1.6)	–	(1.2)	(15.2)	(18.0)
Written off (Note 6)	–	–	(5.5)	(2.8)	(8.3)
Exchange adjustment	–	–	–	(0.2)	(0.2)
At 31 December	278.4	239.7	375.3	387.0	1,280.4
<b>Net book value</b>					
At 31 December 2014	3,261.5	921.5	476.6	343.7	5,003.3
<b>Accumulated impairment loss</b>					
At 31 December 2014	0.3	16.7	–	27.7	44.7

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

	Land and buildings RM Million	Aircraft and vessels RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
<b>Group – 2013</b>					
<b>Cost or valuation</b>					
At 1 January	2,029.5	852.2	724.8	906.5	4,513.0
Acquisition of a Subsidiary (Note 44)	789.8	–	28.9	–	818.7
Additions	153.4	9.4	33.8	208.7	405.3
Disposals	(8.6)	(30.6)	(5.0)	(14.6)	(58.8)
Written off	–	–	(0.2)	(0.4)	(0.6)
Transfer (to)/from					
– Development properties (Note 16)	(14.5)	–	–	–	(14.5)
– Prepaid land lease payments (Note 17)	(2.3)	–	–	–	(2.3)
– Long term prepayments (Note 18)	–	–	–	5.1	5.1
Reclassification	92.8	330.2	3.3	(426.3)	–
Exchange adjustment	(0.4)	–	0.4	(0.5)	(0.5)
At 31 December	3,039.7	1,161.2	786.0	678.5	5,665.4
<b>Depreciation and impairment loss</b>					
At 1 January	162.9	92.6	291.6	259.1	806.2
Charge for the year					
– Recognised in profit or loss (Note 6)	48.3	67.4	56.1	71.8	243.6
– Capitalised in contract cost (Note 27)	–	–	0.3	3.6	3.9
Impairment loss (Note 6)	–	16.7	–	–	16.7
Disposals	(2.0)	(6.5)	(4.3)	(12.2)	(25.0)
Written off	–	–	(0.2)	(0.4)	(0.6)
Reclassification	0.5	2.6	(22.4)	19.3	–
Exchange adjustment	(0.2)	–	(0.1)	(0.5)	(0.8)
At 31 December	209.5	172.8	321.0	340.7	1,044.0
<b>Net book value</b>					
At 31 December 2013	2,830.2	988.4	465.0	337.8	4,621.4
<b>Accumulated impairment loss</b>					
At 31 December 2013	0.3	16.7	5.5	27.7	50.2

## notes to the financial statements

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

	Land and buildings RM Million	Others RM Million	Total RM Million
<b>Company – 2014</b>			
<b>Cost</b>			
At 1 January 2014	2.5	8.8	11.3
Additions	–	0.6	0.6
Disposals	(2.5)	(0.3)	(2.8)
At 31 December 2014	–	9.1	9.1
<b>Depreciation</b>			
At 1 January 2014	0.7	6.4	7.1
Charge for the year (Note 6)	–	0.6	0.6
Disposals	(0.7)	(0.3)	(1.0)
At 31 December 2014	–	6.7	6.7
<b>Net book value</b>			
At 31 December 2014	–	2.4	2.4
<b>Company – 2013</b>			
<b>Cost</b>			
At 1 January 2013	4.4	8.9	13.3
Disposals	(1.9)	(0.1)	(2.0)
At 31 December 2013	2.5	8.8	11.3
<b>Depreciation</b>			
At 1 January 2013	1.7	5.8	7.5
Charge for the year (Note 6)	0.1	0.6	0.7
Disposals	(1.1)	–	(1.1)
At 31 December 2013	0.7	6.4	7.1
<b>Net book value</b>			
At 31 December 2013	1.8	2.4	4.2

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

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Analysis of net book value of land and buildings:</b>				
Freehold property				
– Land	992.5	982.0	–	–
– Building	1,032.6	933.5	–	–
	<b>2,025.1</b>	1,915.5	–	–
Leasehold property				
Long leasehold				
– Land	657.5	506.1	–	1.1
– Building	401.8	237.5	–	0.7
Short leasehold				
– Land	9.8	9.8	–	–
– Building	167.3	161.3	–	–
	<b>1,236.4</b>	914.7	–	1.8
	<b>3,261.5</b>	2,830.2	–	1.8
<b>Analysis of cost or valuation:</b>				
Cost	6,148.5	5,530.2	9.1	11.3
Valuation	135.2	135.2	–	–
	<b>6,283.7</b>	5,665.4	<b>9.1</b>	11.3

Included in the Group's other property, plant and equipment is capital work in progress costing RM162.4 million (2013: RM228.8 million). The other assets included under this category are motor vehicles and furniture and equipment.

Properties stated at valuation are based on independent professional valuation carried out on an open market basis. As allowed by the transitional provision of IAS 16 (Revised) Property, Plant and Equipment, these assets continued to be stated on the basis of their previous valuations. The net book value of these revalued freehold properties that would have been included in the Group's financial statements, had these assets been carried at cost less depreciation is RM57.2 million (2013: RM59.4 million).

Additions to the Group's property, plant and equipment during the year include the capitalisation of interest cost of RM1.5 million (2013: RM7.4 million).

The net carrying amount of property, plant and equipment pledged as securities for borrowings as disclosed in Note 33 is RM126.2 million (2013: RM146.9 million).

## notes to the financial statements

### 14. BIOLOGICAL ASSETS

	Group	
	2014 RM Million	2013 RM Million
<b>Cost</b>		
At 1 January	1,273.9	698.9
Acquisition of a Subsidiary (Note 44)	–	501.4
Additions	23.5	74.1
Written off (Note 6)	–	(0.5)
Transfer to property, plant and equipment (Note 13)	(0.8)	–
Disposals	(1.1)	–
At 31 December	1,295.5	1,273.9
<b>Impairment loss</b>		
At 1 January	34.4	34.4
Disposals	(0.1)	–
At 31 December	34.3	34.4
<b>Net book value</b>		
At 31 December	1,261.2	1,239.5
Interest cost capitalised during the year	0.2	0.2

## 15. INVESTMENT PROPERTIES

	Completed investment properties RM Million	Investment properties under construction at cost RM Million	Total RM Million
<b>Group</b>			
At 1 January 2013	1,273.4	–	1,273.4
Net fair value gain (Note 8)	48.4	–	48.4
Additions	77.1	–	77.1
Additions from subsequent expenditure	4.8	16.1	20.9
Disposals	(99.0)	–	(99.0)
At 31 December 2013 and 1 January 2014	<b>1,304.7</b>	<b>16.1</b>	<b>1,320.8</b>
Net fair value gain (Note 8)	<b>92.6</b>	–	<b>92.6</b>
Additions from subsequent expenditure	<b>98.5</b>	<b>17.7</b>	<b>116.2</b>
Transfer from property, plant and equipment (Note 13)	<b>4.6</b>	–	<b>4.6</b>
At 31 December 2014	<b>1,500.4</b>	<b>33.8</b>	<b>1,534.2</b>
<b>Company</b>			
At 1 January 2013	77.6	–	77.6
Net fair value gain (Note 8)	3.4	–	3.4
At 31 December 2013 and 1 January 2014	<b>81.0</b>	–	<b>81.0</b>
Net fair value gain (Note 8)	<b>5.8</b>	–	<b>5.8</b>
Additions from subsequent expenditure	<b>1.1</b>	–	<b>1.1</b>
At 31 December 2014	<b>87.9</b>	–	<b>87.9</b>

Investment properties were revalued by the Directors based on independent professional valuations using the open market value basis. Valuations are performed by accredited independent valuers with recent experience in the location and categories of properties being valued. Additions to the Group's investment properties during the year include the capitalisation of interest cost of RM1.3 million (2013: RM0.6 million).

## notes to the financial statements

### 16. DEVELOPMENT PROPERTIES

	Group	
	2014 RM Million	2013 RM Million
At 1 January		
– Freehold land, at cost	81.2	25.5
– Long leasehold land, at cost	10.4	3.2
– Development cost	247.6	219.0
	<b>339.2</b>	247.7
Transfer to property development in progress (Note 26)		
– Freehold land	(1.2)	–
– Long leasehold land	(5.9)	(2.3)
– Development cost	(222.4)	(50.4)
	<b>(229.5)</b>	(52.7)
Transfer from property, plant and equipment (Note 13)	–	14.5
	<b>(229.5)</b>	(38.2)
Additions during the year	<b>391.8</b>	129.7
At 31 December	<b>501.5</b>	339.2
Interest cost capitalised during the year	<b>1.6</b>	2.6

### 17. PREPAID LAND LEASE PAYMENTS

	Group	
	2014 RM Million	2013 RM Million
<b>Cost</b>		
At 1 January	76.6	74.3
Acquisition of a Subsidiary (Note 44)	1.5	–
Transfer (to)/from property, plant and equipment (Note 13)	(6.2)	2.3
At 31 December	<b>71.9</b>	76.6

## 17. PREPAID LAND LEASE PAYMENTS (CONT'D.)

	Group	
	2014 RM Million	2013 RM Million
<b>Accumulated amortisation</b>		
At 1 January	7.6	5.5
Charge for the year (Note 6)	2.1	2.1
Transfer to property, plant and equipment (Note 13)	(0.4)	–
At 31 December	9.3	7.6
<b>Net book value</b>		
At 31 December	62.6	69.0
Amount to be amortised		
– Within 1 year	2.1	2.2
– Later than 1 year but not later than 5 years	8.4	8.8
– Later than 5 years	52.1	58.0
	62.6	69.0

## 18. LONG TERM PREPAYMENTS

	Group	
	2014 RM Million	2013 RM Million
At 1 January	152.2	157.3
Additions	10.2	8.3
Charge for the year (Note 6)	(8.7)	(8.3)
Transfer to property, plant and equipment (Note 13)	–	(5.1)
At 31 December	153.7	152.2

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

## notes to the financial statements

### 19. DEFERRED TAXATION

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
At 1 January	(31.5)	(1.2)	(1.2)	–
Acquisition of a Subsidiary (Note 44)	(5.6)	–	–	–
Recognised in profit or loss (Note 10)	(0.1)	(30.3)	(0.3)	(1.2)
Exchange adjustment	0.2	–	–	–
At 31 December	(37.0)	(31.5)	(1.5)	(1.2)
Presented after appropriate offsetting as follows:				
Deferred tax assets	53.3	61.7	–	–
Deferred tax liabilities	(90.3)	(93.2)	(1.5)	(1.2)
	(37.0)	(31.5)	(1.5)	(1.2)

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

	Tax losses RM Million	Unabsorbed capital allowances RM Million	Others RM Million	Total RM Million
<b>Deferred tax assets – Group</b>				
At 1 January 2013	92.8	27.1	38.8	158.7
Recognised in profit or loss	6.3	35.1	3.4	44.8
At 31 December 2013 and 1 January 2014	99.1	62.2	42.2	203.5
Recognised in profit or loss	4.2	55.8	5.6	65.6
At 31 December 2014	103.3	118.0	47.8	269.1

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

	Fair value gain on investment properties RM Million	Accelerated depreciation RM Million	Others RM Million	Total RM Million
<b>Deferred tax liabilities – Group</b>				
At 1 January 2013	(7.4)	(145.6)	(6.9)	(159.9)
Recognised in profit or loss	(4.5)	(50.5)	(20.1)	(75.1)
At 31 December 2013 and 1 January 2014	<b>(11.9)</b>	<b>(196.1)</b>	<b>(27.0)</b>	<b>(235.0)</b>
Acquisition of a Subsidiary (Note 44)	–	–	<b>(5.6)</b>	<b>(5.6)</b>
Recognised in profit or loss	<b>(5.2)</b>	<b>(55.0)</b>	<b>(5.5)</b>	<b>(65.7)</b>
Exchange adjustment	–	–	<b>0.2</b>	<b>0.2</b>
At 31 December 2014	<b>(17.1)</b>	<b>(251.1)</b>	<b>(37.9)</b>	<b>(306.1)</b>

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

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Unused tax losses	<b>1,020.7</b>	1,001.2	–	–
Unabsorbed capital allowances and agricultural allowances	<b>118.8</b>	155.9	–	–
Unabsorbed investment tax allowances	<b>37.1</b>	37.1	–	–
	<b>1,176.6</b>	1,194.2	–	–

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective Subsidiaries are subject to no substantial changes in shareholding of these Subsidiaries under section 44(5A) and 44(5B) of the Income Tax Act, 1967.

## notes to the financial statements

### 20. SUBSIDIARIES

	Company	
	2014 RM Million	2013 RM Million
At cost		
Shares quoted in Malaysia	1,117.4	762.1
Unquoted shares	1,836.8	2,196.6
	<b>2,954.2</b>	2,958.7
Accumulated impairment loss	(5.8)	(5.8)
	<b>2,948.4</b>	2,952.9
Market value of quoted shares	2,371.1	1,092.7

#### Subsidiaries with material non-controlling interests

The Group regards Boustead Plantations Berhad (BPlant Group), Boustead Petroleum Sdn Bhd (BPSB Group) and Pharmaniaga Berhad (Pharmaniaga Group) as Subsidiaries that have material non-controlling interests. These Subsidiaries are incorporated and operate primarily in Malaysia. Financial information of these Subsidiaries are provided below:-

	Equity interest held by non-controlling interests	
	2014 %	2013 %
BPSB Group	40	40
BPlant Group	43	-
Pharmaniaga Group	44	44

## 20. SUBSIDIARIES (CONT'D.)

### Subsidiaries with material non-controlling interests (cont'd.)

The summarised financial information of Subsidiaries with material non-controlling interests are provided below. This information is based on amounts before inter-company eliminations.

#### (a) Summarised income statements

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
<b>2014</b>			
Revenue	4,642.6	717.3	2,122.9
Profit for the year attributable to:			
Shareholders of the company	22.3	57.1	93.8
Non-controlling interests	14.3	(4.7)	0.4
	36.6	52.4	94.2
<b>2013</b>			
Revenue	4,859.9	770.3	1,946.6
Profit for the year attributable to:			
Shareholders of the company	65.3	333.2	55.2
Non-controlling interests	33.4	(1.8)	1.6
	98.7	331.4	56.8

## notes to the financial statements

### 20. SUBSIDIARIES (CONT'D.)

#### Subsidiaries with material non-controlling interests (cont'd.)

##### (b) Summarised statements of comprehensive income

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
<b>2014</b>			
Profit for the year	36.6	52.4	94.2
Other comprehensive income/(loss)	-	(0.5)	3.4
Total comprehensive income for the year	36.6	51.9	97.6
Attributable to:			
Shareholders of the company	22.3	56.7	96.3
Non-controlling interests	14.3	(4.8)	1.3
	36.6	51.9	97.6
Dividend paid to non-controlling interests	25.5	27.3	25.0
<b>2013</b>			
Profit for the year	98.7	331.4	56.8
Other comprehensive income/(loss)	-	(270.3)	(4.4)
Total comprehensive income for the year	98.7	61.1	52.4
Attributable to:			
Shareholders of the company	65.3	62.9	52.8
Non-controlling interests	33.4	(1.8)	(0.4)
	98.7	61.1	52.4
Dividend paid to non-controlling interests	29.0	-	16.2

## 20. SUBSIDIARIES (CONT'D.)

### Subsidiaries with material non-controlling interests (cont'd.)

#### (c) Summarised statements of financial position

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
<b>2014</b>			
Total assets:			
Non-current assets	801.2	2,788.5	638.4
Current assets	334.0	514.3	604.3
	1,135.2	3,302.8	1,242.7
Total liabilities:			
Non-current liabilities	26.3	173.3	35.6
Current liabilities	655.6	781.0	655.1
	681.9	954.3	690.7
Net assets	453.3	2,348.5	552.0
Attributable to:			
Shareholders of the company	309.4	2,294.9	526.5
Non-controlling interests	143.9	53.6	25.5
	453.3	2,348.5	552.0

## notes to the financial statements

### 20. SUBSIDIARIES (CONT'D.)

#### Subsidiaries with material non-controlling interests (cont'd.)

#### (c) Summarised statements of financial position (cont'd.)

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
<b>2013</b>			
Total assets:			
Non-current assets	778.9	2,768.8	487.5
Current assets	665.0	490.2	625.5
	1,443.9	3,259.0	1,113.0
Total liabilities:			
Non-current liabilities	21.7	271.8	19.8
Current liabilities	972.9	1,538.2	589.9
	994.6	1,810.0	609.7
Net assets	449.3	1,449.0	503.3
Attributable to:			
Shareholders of the company	298.9	1,389.9	487.7
Non-controlling interests	150.4	59.1	15.6
	449.3	1,449.0	503.3

## 20. SUBSIDIARIES (CONT'D.)

### Subsidiaries with material non-controlling interests (cont'd.)

#### (d) Summarised statements of cash flow

	BPSB Group RM Million	BPlant Group RM Million	Pharmaniaga Group RM Million
<b>2014</b>			
Net cash generated from/(used in):			
Operating activities	197.0	143.6	213.4
Investing activities	(55.2)	(662.4)	(154.5)
Financing activities	(152.3)	918.6	(60.1)
Net (decrease)/increase in cash and cash equivalents	(10.5)	399.8	(1.2)
<b>2013</b>			
Net cash generated from/(used in):			
Operating activities	215.9	40.0	250.4
Investing activities	(36.2)	(86.5)	(79.5)
Financing activities	(138.2)	73.6	(171.3)
Net increase/(decrease) in cash and cash equivalents	41.5	27.1	(0.4)

## notes to the financial statements

### 21. ASSOCIATES

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
At cost				
Shares quoted in Malaysia	<b>881.0</b>	624.9	<b>881.0</b>	624.9
Unquoted shares	<b>102.2</b>	89.7	<b>58.4</b>	58.4
	<b>983.2</b>	714.6	<b>939.4</b>	683.3
Shares of post acquisition reserves	<b>806.4</b>	765.5	–	–
	<b>1,789.6</b>	1,480.1	<b>939.4</b>	683.3
Market value				
Quoted shares	<b>1,165.8</b>	1,283.3	<b>1,165.8</b>	1,283.3

#### Material associate

The Group regards Affin Holdings Berhad (Affin) as a material associate. The summarised financial information of Affin is set out below. This represents the amounts in Affin's financial statements and not the Group's share of those amounts.

#### (a) Summarised statement of comprehensive income

	2014 RM Million	2013 RM Million
Revenue	<b>3,318.7</b>	3,029.0
Profit for the year	<b>612.4</b>	650.0
Other comprehensive income	<b>19.2</b>	15.2
Total comprehensive income	<b>631.6</b>	665.2
Attributable to:		
Shareholders of the company	<b>624.5</b>	665.2
Non-controlling interests	<b>7.1</b>	–
	<b>631.6</b>	665.2
Dividend received from Affin	<b>60.3</b>	46.4

## 21. ASSOCIATES (CONT'D.)

### Material associate (cont'd.)

#### (b) Summarised statement of financial position

	2014 RM Million	2013 RM Million
Total assets	66,669.7	59,951.6
Total liabilities	58,686.0	53,574.9
	7,983.7	6,376.7
Non-controlling interests	(30.3)	-
Net assets attributable to shareholders of Affin at 31 December	7,953.4	6,376.7

#### (c) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in Affin:

	2014 RM Million	2013 RM Million
Net assets attributable to shareholders of Affin:		
At 1 January	6,376.7	5,935.7
Total comprehensive income for the year	624.5	665.2
Increase in paid up capital	1,233.7	-
Changes in group structure	9.9	-
Dividend paid	(291.4)	(224.2)
At 31 December	7,953.4	6,376.7
Group share of net assets	1,646.4	1,319.4
Goodwill	15.2	15.2
Carrying value of the Group's investment in Affin	1,661.6	1,334.6
Group's interest in Affin	20.7%	20.7%

## notes to the financial statements

### 21. ASSOCIATES (CONT'D.)

#### Associates that are not individually material

The Group's investments in the other associates are not individually material and the aggregate information of these associates are presented below:

	Group	
	2014 RM Million	2013 RM Million
Group's share of profit before tax	(10.9)	26.9
Group's share of profit after tax	(11.9)	20.4

### 22. JOINT VENTURES

	Group	
	2014 RM Million	2013 RM Million
At cost		
Unquoted shares	233.9	53.9
Share of post acquisition reserves	129.1	56.9
	<b>363.0</b>	<b>110.8</b>

#### Material joint venture

The Group regards Boustead Ikano Sdn Bhd (BISB) as a material joint venture. The summarised financial information of BISB is set out below. This represents the amounts in BISB's financial statements and not the Group's share of those amounts.

#### (a) Summarised statement of comprehensive income

	2014 RM Million	2013 RM Million
Revenue	0.3	-
Profit and total comprehensive income for the year	185.5	(0.6)
Dividend received from BISB	-	-

## 22. JOINT VENTURES (CONT'D)

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

#### (b) Summarised statement of financial position

	2014 RM Million	2013 RM Million
Total assets	759.1	75.6
Total liabilities	174.2	36.2
Net assets of BISB	584.9	39.4

#### (c) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in BISB:

	2014 RM Million	2013 RM Million
Net assets of BISB at 1 January	39.4	40.0
Profit and total comprehensive income for the year	185.5	(0.6)
Increase in paid up capital	360.0	–
Net assets of BISB at 31 December	584.9	39.4
Group's share of net assets/carrying value of the Group's investment in BISB	292.5	19.7
Group's interest in BISB	50%	50%

#### Joint ventures that are not individually material

The Group's Investment in the other joint ventures are not individually material. Aggregate information of these joint ventures are presented below:

	Group	
	2014 RM Million	2013 RM Million
Group's share of profit before tax	15.0	23.2
Group's share of profit after tax	10.3	18.7

## notes to the financial statements

### 23. INVESTMENTS

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Shares quoted in Malaysia	<b>38.2</b>	39.3	<b>5.6</b>	6.3
Malaysian unit trusts	–	5.6	–	–
Unquoted shares	<b>0.6</b>	0.7	<b>0.6</b>	0.6
	<b>38.8</b>	45.6	<b>6.2</b>	6.9
Accumulated impairment loss	<b>(0.5)</b>	(0.5)	<b>(0.5)</b>	(0.5)
	<b>38.3</b>	45.1	<b>5.7</b>	6.4

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

## 24. INTANGIBLE ASSETS

	Goodwill RM Million	Concession right RM Million	Pharmacy manufacturing licence and trade name RM Million	Rights to supply RM Million	Total RM Million
<b>Group</b>					
<b>Cost</b>					
At 1 January 2013	1,180.3	75.0	–	89.8	1,345.1
Additions	–	–	–	15.2	15.2
At 31 December 2013 and 1 January 2014	<b>1,180.3</b>	<b>75.0</b>	<b>–</b>	<b>105.0</b>	<b>1,360.3</b>
Acquisition of a Subsidiary (Note 44)	<b>48.8</b>	–	<b>18.9</b>	–	<b>67.7</b>
Additions	–	–	–	<b>56.5</b>	<b>56.5</b>
Written off	–	–	–	<b>(51.1)</b>	<b>(51.1)</b>
Exchange adjustment	<b>0.7</b>	–	<b>0.5</b>	–	<b>1.2</b>
At 31 December 2014	<b>1,229.8</b>	<b>75.0</b>	<b>19.4</b>	<b>110.4</b>	<b>1,434.6</b>
<b>Amortisation</b>					
At 1 January 2013	–	15.2	–	25.0	40.2
Amortisation for the year (Note 6)	–	8.7	–	34.3	43.0
At 31 December 2013 and 1 January 2014	–	<b>23.9</b>	–	<b>59.3</b>	<b>83.2</b>
Amortisation for the year (Note 6)	–	<b>8.7</b>	<b>1.8</b>	<b>15.7</b>	<b>26.2</b>
Written off	–	–	–	<b>(51.1)</b>	<b>(51.1)</b>
At 31 December 2014	–	<b>32.6</b>	<b>1.8</b>	<b>23.9</b>	<b>58.3</b>
<b>Net carrying amount</b>					
At 31 December 2014	<b>1,229.8</b>	<b>42.4</b>	<b>17.6</b>	<b>86.5</b>	<b>1,376.3</b>
At 31 December 2013	1,180.3	51.1	–	45.7	1,277.1

## notes to the financial statements

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

The carrying amount of goodwill allocated to the Heavy Industries Division is RM971.7 million (2013: RM971.7 million) with the remaining goodwill from other Divisions.

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

For Heavy Industries Division, pre-tax discount rates of 14.5% to 15.5% (2013: 13% to 15.5%) and a terminal growth rate of 2% (2013: 2%) have been applied in the value in use calculations.

For the remaining goodwill, the recoverable amounts were determined based on the value in use calculations using cash flow budgets approved by each entity's board of directors covering a three-year period. The appropriate pre-tax discount rates that reflect each entity's cost of borrowings, the expected rate of return and various risks were applied. No impairment loss was required as at 31 December 2014, as the recoverable amounts were in excess of the carrying amount of the remaining goodwill.

### 25. INVENTORIES

	Group	
	2014 RM Million	2013 RM Million
Raw materials and work in progress	108.3	111.6
Goods for resale	516.4	528.4
Estate produce	15.2	18.5
Completed properties	5.1	5.8
Consumable stores	44.8	53.9
	<b>689.8</b>	718.2

During the year, the amount of inventories recognised as an expense of the Group amounted to RM6,572.2 million (2013: RM6,622.1 million).

## 26. PROPERTY DEVELOPMENT IN PROGRESS

	Group	
	2014 RM Million	2013 RM Million
At 1 January		
– Freehold land, at cost	1.9	12.6
– Long leasehold land, at cost	6.8	3.3
– Development cost	121.6	302.6
	<b>130.3</b>	318.5
Cost recognised in profit or loss		
– At 1 January	(93.9)	(275.6)
– Recognised during the year	(231.9)	(215.9)
– Reversal of completed projects	162.5	397.6
	<b>(163.3)</b>	(93.9)
Transfer		
– From development properties (Note 16)	229.5	52.7
– To inventories	(6.9)	(3.3)
– Reversal of completed projects	(162.5)	(397.6)
	<b>60.1</b>	(348.2)
Development cost incurred during the year	<b>136.6</b>	160.0
At 31 December	<b>163.7</b>	36.4
Interest cost capitalised during the year	<b>9.1</b>	7.4

## notes to the financial statements

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

	Group	
	2014 RM Million	2013 RM Million
Ship repair and shipbuilding		
Aggregate cost incurred and recognised profit less recognised losses to date	<b>5,475.7</b>	4,287.9
Progress billings	<b>(4,233.3)</b>	(3,185.9)
	<b>1,242.4</b>	1,102.0
Presented as follows:		
Due from customers on contracts	<b>1,312.8</b>	1,199.8
Due to customers on contracts	<b>(70.4)</b>	(97.8)
	<b>1,242.4</b>	1,102.0

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

	Group	
	2014 RM Million	2013 RM Million
Depreciation of property, plant and equipment (Note 13)	<b>5.3</b>	3.9
Interest expense	<b>89.9</b>	77.8
Operating leases:		
– Minimum lease payments for plant and equipment	<b>0.6</b>	3.3
– Minimum lease payments for land and buildings	<b>3.9</b>	0.1
Staff cost	<b>18.5</b>	4.0
Amount of contract revenue and contract cost recognised in profit or loss are as follows:		
Contract revenue	<b>1,462.1</b>	2,010.3
Contract cost	<b>1,291.0</b>	1,820.7

## 28. RECEIVABLES

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Trade receivables	851.5	1,273.1	–	–
Allowance for impairment	(51.8)	(44.4)	–	–
	<b>799.7</b>	1,228.7	–	–
Dividends receivable	–	–	3.7	103.0
Deposits	62.8	108.8	–	–
Prepayments	49.4	74.1	0.2	0.1
Income tax receivable	51.7	57.5	24.1	24.9
Advances paid to suppliers	28.4	43.3	–	–
Other receivables	67.6	59.7	19.0	0.4
Non-hedging derivatives (Note 38)	0.3	3.0	–	–
Amounts due from Subsidiaries	–	–	1,113.8	553.8
Amounts due from associates	115.1	122.2	1.6	1.6
Amounts due from joint ventures	40.5	106.8	–	–
Amounts due from other related companies	3.6	4.6	–	–
	<b>1,219.1</b>	1,808.7	<b>1,162.4</b>	683.8

The Group's normal trade credit terms range from payments in advance to 90 days. Other credit terms are assessed and approved on a case by case basis. Amounts due from Subsidiaries are unsecured, bear interest at a weighted average rate of 6.2% (2013: 6.4%) per annum and are repayable on demand. Amounts due from associates are unsecured, bear interest at a weighted average rate of 7.0% (2013: 7.0%) per annum and are repayable on demand. Amounts due from joint ventures and other related companies are trade balances which are unsecured and interest free, with repayment in accordance with normal trading terms.

## notes to the financial statements

### 28. RECEIVABLES (CONT'D.)

#### Ageing analysis of trade receivables

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

	Group	
	2014 RM Million	2013 RM Million
Neither past due nor impaired	503.4	884.4
Past due but not impaired		
– Less than 30 days	110.8	161.5
– 31 to 60 days	38.4	46.8
– 61 to 90 days	33.5	28.6
– 91 to 120 days	19.5	15.9
– More than 120 days	85.7	84.0
	287.9	336.8
Impaired	60.2	51.9
	851.5	1,273.1

#### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 89% (2013: 92%) of the Group's trade receivables arise from customers with more than 3 years of experience with the Group and insignificant losses noted.

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

#### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM287.9 million (2013: RM336.8 million) that are past due at the reporting date but not impaired. Of these, RM10.4 million (2013: RM5.2 million) of trade receivables are secured by bank guarantees and deposits at the reporting date.

In addition, trade receivables due from Government of Malaysia and related agencies amounted to RM29.1 million (2013: RM22.5 million) at the reporting date.

## 28. RECEIVABLES (CONT'D.)

### Receivables that are impaired

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

	Collectively impaired RM Million	Individually impaired RM Million	Total RM Million
<b>Group – 2014</b>			
Trade receivables – nominal	1.3	58.9	60.2
Allowance for impairment	(1.3)	(50.5)	(51.8)
	–	8.4	8.4
<b>Group – 2013</b>			
Trade receivables – nominal	1.1	50.8	51.9
Allowance for impairment	(1.1)	(43.3)	(44.4)
	–	7.5	7.5

Movement in allowance accounts:

	Group	
	2014 RM Million	2013 RM Million
At 1 January	44.4	44.3
Impairment loss (Note 6)	15.7	81.5
Reversal of impairment loss (Note 6)	(3.9)	(5.0)
Written off	(3.8)	(76.1)
Exchange adjustment	(0.6)	(0.3)
At 31 December	51.8	44.4

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

## notes to the financial statements

### 29. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Deposits with financial institutions	861.3	255.3	1.4	1.3
Cash held under Housing Development Accounts	56.5	97.2	–	–
Cash and bank balances	240.1	285.4	4.5	4.0
	<b>1,157.9</b>	637.9	<b>5.9</b>	5.3

The average maturity periods of the Group's fixed deposits with financial institutions are 24 days (2013: 28 days). Bank balances are monies placed in current accounts with licensed banks which do not earn any interest.

The amount of deposits placed with the financial institutions which are Government-related entities amounted to RM555.7 million (2013: RM242.4 million).

### 30. SHARE CAPITAL

	2014		2013	
	Million	RM Million	Million	RM Million
Ordinary shares of RM0.50 each Authorised	2,000.0	1,000.0	2,000.0	1,000.0
Issued and fully paid At 1 January and 31 December	1,034.2	517.1	1,034.2	517.1

### 31. PERPETUAL SUKUK

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

During the year, the Company issued 3 tranches of Perpetual Sukuk at total par value of RM451.0 million, bringing the cumulative Perpetual Sukuk issued to RM1,134.0 million.

The salient features of the Perpetual Sukuk are as follows:

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

## notes to the financial statements

### 32. RESERVES

	← Non-distributable →					
	Share premium RM Million	Revaluation and fair value reserves RM Million	Statutory and regulatory reserves RM Million	Other reserves RM Million	Retained earnings RM Million	Total RM Million
<b>Group</b>						
At 1 January 2013	1,165.1	314.9	259.6	157.5	2,241.8	4,138.9
Total comprehensive income for the year	–	(266.7)	–	(1.6)	478.8	210.5
<b>Transactions with owners</b>						
Additional investment in a Subsidiary	–	–	–	–	(1.1)	(1.1)
Transfer during the year	–	–	36.3	–	(36.3)	–
Dividends (Note 12)	–	–	–	–	(310.4)	(310.4)
At 31 December 2013 and 1 January 2014	<b>1,165.1</b>	<b>48.2</b>	<b>295.9</b>	<b>155.9</b>	<b>2,372.8</b>	<b>4,037.9</b>
Total comprehensive income for the year	–	<b>0.8</b>	–	<b>2.2</b>	<b>408.2</b>	<b>411.2</b>
<b>Transactions with owners</b>						
Changes in ownership interest in Subsidiaries						
– Partial disposal of a Subsidiary	–	–	–	<b>(39.4)</b>	<b>49.5</b>	<b>10.1</b>
– Issue of shares by Subsidiaries	–	–	–	<b>316.1</b>	<b>(253.8)</b>	<b>62.3</b>
– Additional investment in a Subsidiary	–	–	–	<b>(0.1)</b>	–	<b>(0.1)</b>
Share of effect on changes in group structure of an associate	–	–	–	–	<b>2.1</b>	<b>2.1</b>
Issuance cost of Perpetual Sukuk	–	–	–	–	<b>(2.3)</b>	<b>(2.3)</b>
Transfer during the year	–	–	<b>45.8</b>	–	<b>(50.2)</b>	<b>(4.4)</b>
Dividends (Notes 12)	–	–	–	–	<b>(294.8)</b>	<b>(294.8)</b>
At 31 December 2014	<b>1,165.1</b>	<b>49.0</b>	<b>341.7</b>	<b>434.7</b>	<b>2,231.5</b>	<b>4,222.0</b>

## 32. RESERVES (CONT'D.)

### Non-distributable reserves

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

	Group	
	2014 RM Million	2013 RM Million
Revaluation reserve	41.6	41.6
Fair value reserve	7.4	6.6
	<b>49.0</b>	48.2

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

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

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

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

### Retained earnings

Under the single tier system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Under this system, all the Company's retained earnings are distributable by way of single tier dividends and tax on the Company's profit is the final tax and dividend distributed to shareholders will be exempted from tax.

## notes to the financial statements

### 33. BORROWINGS

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Non-current</b>				
Term loans				
– Denominated in US Dollar	57.0	60.1	–	–
– Denominated in Indonesian Rupiah	61.0	43.6	–	–
– Denominated in Great Britain Pound	72.3	–	–	–
– Denominated in Malaysian Ringgit	1,124.8	1,828.7	–	7.5
	<b>1,315.1</b>	1,932.4	–	7.5
Bank guaranteed medium term notes	921.7	998.0	921.7	998.0
Asset-backed bonds	896.9	896.2	–	–
	<b>3,133.7</b>	3,826.6	<b>921.7</b>	1,005.5
Repayable in 1 year	(937.7)	(760.1)	(512.7)	(85.1)
	<b>2,196.0</b>	3,066.5	<b>409.0</b>	920.4
<b>Current</b>				
Overdrafts	31.7	30.1	15.2	14.8
Bankers' acceptances	175.9	201.5	–	–
Revolving credits				
– Denominated in US Dollar	39.9	37.4	–	–
– Denominated in Malaysian Ringgit	3,699.5	2,540.4	1,130.0	430.0
Short term loans	937.7	760.1	512.7	85.1
	<b>4,884.7</b>	3,569.5	<b>1,657.9</b>	529.9
Total borrowings	<b>7,080.7</b>	6,636.0	<b>2,066.9</b>	1,450.3

The bank guaranteed medium term notes (MTN) comprise six series with maturity dates ranging from 3 years to 5 years from the date of issue. The MTN which are repayable on maturity, have a long term rating of AAA(bg) and bear interest at the weighted average effective interest rate of 5.8% (2013: 5.8%) per annum. The MTN have been accounted for in the statement of financial position of the Group and of the Company as follows:

	Group/Company	
	2014 RM Million	2013 RM Million
Nominal value	922.0	1,000.0
Accrued interest and transaction cost less payments and amortisation	(0.3)	(2.0)
Carrying amount	921.7	998.0

### 33. BORROWINGS (CONT'D.)

The asset-backed bonds (Bonds) comprise 4 classes of senior bonds which are rated AAA, AA2 and A1 and 3 classes of guaranteed bonds which are rated AAA(fg) and AA2(bg). The maturity dates of the Bonds range from 3 years to 7 years with the effective interest rate of 5.3% (2013: 5.3%) per annum. The senior bonds are secured by a debenture over the assets of the Subsidiary, a special purpose vehicle created for the Bonds issuance.

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

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM Million</b>	<b>RM Million</b>
Nominal value	<b>900.0</b>	900.0
Accrued interest and transaction cost less payments and amortisation	<b>(3.1)</b>	(3.8)
Carrying amount	<b>896.9</b>	896.2

A Subsidiary has a term loan of RM563.4 million which is repayable within 4 years commencing from 27 April 2015. This Subsidiary also has revolving credits of RM904.8 million (2013: RM906.7 million) which are secured by way of an assignment on contract proceeds.

A Subsidiary has a term loan of RM199.5 million (2013: RM228.0 million) which is repayable over 20 half yearly instalments. The term loan is secured by five aircraft of the Subsidiary, proceeds account and the said Subsidiary's present and future rights, title, benefit and interest in and under the lease agreement of those aircraft.

A Subsidiary has a term loan and revolving credit denominated in US Dollar equivalent to RM12.5 million (2013: RM18.5 million) and RM40.0 million (2013: RM37.4 million) respectively which are secured against the vessels owned by the Subsidiary.

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

All the other borrowings are unsecured. Other information on financial risks of the borrowings are disclosed in Note 37.

The amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM5,263.2 million (2013: RM4,796.5 million).

## notes to the financial statements

### 34. PAYABLES

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Non-current</b>				
Deposit from tenants	26.7	26.7	–	–
<b>Current</b>				
Trade payables	1,253.5	1,162.5	–	–
Accrued interest	34.1	35.9	2.2	3.7
Accrued expenses	185.7	159.1	–	–
Deposits received	74.1	71.9	1.8	1.8
Retention sum	7.4	4.0	–	–
Amount due to unitholders of Al-Hadharah Boustead REIT (Note 44)	–	611.1	–	–
Other payables	246.4	208.7	10.3	8.0
Amount due to holding corporation	0.9	0.8	–	–
Amounts due to Subsidiaries	–	–	103.1	352.6
Amounts due to joint ventures	9.7	60.6	–	–
Amounts due to other related companies	1.0	2.0	–	–
	<b>1,812.8</b>	<b>2,316.6</b>	<b>117.4</b>	<b>366.1</b>

#### Trade and other payables

These amounts are non-interest bearing, with normal credit terms ranging from 30 to 90 (2013: 30 to 90) days.

#### Amounts due to Subsidiaries

These amounts are unsecured, bear interest at a weighted average rate of 4.1% (2013: 4.2%) per annum and repayable on demand.

#### Amounts due to joint ventures and other related companies

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

## 35. SEGMENTAL INFORMATION

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

**(a) Plantation Division**

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

**(b) Heavy Industries Division**

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

**(c) Property Division**

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

**(d) Finance & Investment Division**

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

**(e) Pharmaceutical Division**

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

**(f) Trading & Industrial Division**

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

Transfer pricing between operating segments are on arm's length basis. Inter-segment revenue which represents rental charge of office premises and trading of the Group's manufactured goods are eliminated on consolidation. The Group practises central fund management where surplus funds within the Group are onlent, and the interest charges arising from such arrangements are eliminated in full.

The Group's revenue from one major customer arising from activities of Pharmaceutical and Heavy Industries Divisions is disclosed in Note 42 (a) and (b).



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

	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma- ceutical RM Million	Trading & Industrial RM Million	Elimination RM Million	Total RM Million
<b>2013</b>								
<b>Revenue</b>								
Group total sales	695.7	2,502.8	652.8	153.8	1,946.6	5,288.6	(28.3)	11,212.0
Inter-segment sales	–	–	(28.3)	–	–	–	28.3	–
External sales	695.7	2,502.8	624.5	153.8	1,946.6	5,288.6	–	11,212.0
<b>Results</b>								
Segment result								
– external	58.9	(13.0)	203.3	(0.4)	102.9	152.4	–	504.1
Interest income	15.4	2.9	8.8	52.8	1.3	5.0	(73.6)	12.6
Other investment results	85.7	0.2	40.0	1.1	–	12.2	–	139.2
Finance cost	(34.5)	(100.3)	(42.9)	(93.7)	(33.1)	(29.8)	73.6	(260.7)
Share of results of associates and joint ventures	5.2	21.2	5.7	143.6	–	–	–	175.7
Fair value gain on deemed disposal of investments	130.7	(89.0)	214.9	103.4	71.1	139.8	–	570.9
Profit before tax								707.7
Income tax expense								(147.9)
Profit for the year								559.8

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**notes to the financial statements**

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**36. CONTINGENT LIABILITIES**

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

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

On 30 October 2012, the Sibul High Court granted BPlant's and BPK's application for Stay of Execution until after the full and final determination of their appeal. The Court of Appeal had on 6 August 2014, allowed the appeal by BPlant and other Defendants/Appellants against the Plaintiffs/Respondents and accordingly reversed the decision the Sibul High Court made on 30 April 2012. The Plaintiffs/Respondents then on 5 September 2014, filed an application for leave to appeal to the Federal Court and the matter is now pending hearing at a date to be fixed.

Based on the facts of the case, the Group, upon consultation with the solicitors, is of the view that BPlant and BPK have a good defence to the claims by the Plaintiffs.

- (b) On 4 September 2012, the Group's Subsidiary Boustead Naval Shipyard Sdn Bhd (BN Shipyard) was served with a Writ of Summons by Ingat Kawan (M) Sdn Bhd (Plaintiff). The Plaintiff is claiming against BN Shipyard for unspecified general damages, special damages of RM50 million, interest at 10% per annum on the said amount of RM50 million calculated from 7 September 2011 until full settlement, interest at 8% per annum on the said amount of RM50 million calculated from the date of filing the Writ of Summons until full settlement, costs and other reliefs that the Court deems fit, arising from an alleged breach of contract by BN Shipyard. On 11 September 2012, BN Shipyard filed its defence and counterclaims and sought to add 5 parties as co-defendants in its counterclaims. On 30 November 2012, the Court dismissed the Plaintiff's objections to BN Shipyard's addition of the 5 co-defendants. The Court fixed 14 March 2013 for decision/clarification on BN Shipyard's application to strike out the Plaintiff's claims.

On 14 March 2013, the High Court allowed with cost BN Shipyard's application to strike out the Plaintiff's claims. Thus, on 1 April 2013, BN Shipyard withdrew its counterclaim against the Plaintiff, but with liberty to file afresh. On 22 March 2013, the Plaintiff filed a Notice of Appeal to the Court of Appeal. BN Shipyard's application via a Notice of Motion to strike out the Plaintiff's appeal for being procedurally defective was rejected by the Court of Appeal on 24 July 2013. On 11 November 2013, the Court of Appeal allowed the Plaintiff's appeal and ordered the case to be tried at the High Court. The hearing date at the Federal Court which was originally fixed for 23 June 2014 was adjourned to 6 May 2015.

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

As regards to the defamation action by the same Plaintiff and another person, the High Court had, on 30 November 2012, allowed BN Shipyard's application to strike out the Plaintiff's claims without liberty to file afresh.

In view of this, the Plaintiff's will not have any recourse to revive this defamation suit against BN Shipyard.

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

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

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Performance bonds in respect of contracts awarded to Subsidiaries				
– Government of Malaysia	635.7	632.4	–	–
– Other third parties	88.9	105.2	–	19.6
	724.6	737.6	–	19.6

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

#### Interest rate risk

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

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

## notes to the financial statements

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

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

	Note	WAEIR %	1 year or less RM Million	1 to 2 years RM Million	2 to 5 years RM Million	More than 5 years RM Million	Total RM Million
<b>Group</b>							
<b>At 31 December 2014</b>							
<b>Fixed rate</b>							
<b>Financial assets:</b>							
Deposits	29	3.0	861.3	–	–	–	861.3
<b>Financial liabilities:</b>							
Term loans	33	5.9	(64.6)	(70.1)	(8.6)	–	(143.3)
Bank guaranteed medium term notes	33	5.8	(512.7)	(409.0)	–	–	(921.7)
Asset-backed bonds	33	5.3	(140.0)	–	(756.9)	–	(896.9)
<b>Floating rate</b>							
<b>Financial liabilities:</b>							
Terms loans	33	5.0	(220.4)	(548.1)	(299.8)	(103.5)	(1,171.8)
Overdrafts	33	7.9	(31.7)	–	–	–	(31.7)
Revolving credits	33	4.8	(3,739.4)	–	–	–	(3,739.4)
Bankers' acceptances	33	4.0	(175.9)	–	–	–	(175.9)
<b>At 31 December 2013</b>							
<b>Fixed rate</b>							
<b>Financial assets:</b>							
Deposits	29	2.9	255.3	–	–	–	255.3
<b>Financial liabilities:</b>							
Term loans	33	5.8	(50.9)	–	(0.7)	–	(51.6)
Bank guaranteed medium term notes	33	5.5	(77.6)	(511.8)	(408.6)	–	(998.0)
Asset-backed bonds	33	5.3	–	(140.0)	(756.2)	–	(896.2)
<b>Floating rate</b>							
<b>Financial liabilities:</b>							
Terms loans	33	4.9	(631.6)	(144.3)	(972.9)	(132.0)	(1,880.8)
Overdrafts	33	7.7	(30.1)	–	–	–	(30.1)
Revolving credits	33	4.7	(2,577.8)	–	–	–	(2,577.8)
Bankers' acceptances	33	3.6	(201.5)	–	–	–	(201.5)

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

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

	Note	WAEIR %	1 year or less RM Million	1 to 2 years RM Million	2 to 5 years RM Million	Total RM Million
<b>Company</b>						
<b>At 31 December 2014</b>						
<b>Fixed rate</b>						
<b>Financial assets:</b>						
Deposits	29	3.2	1.4	–	–	1.4
<b>Financial liabilities:</b>						
Bank guaranteed medium term notes	33	5.8	(512.7)	(409.0)	–	(921.7)
<b>Floating rate</b>						
<b>Financial assets:</b>						
Amounts due from Subsidiaries	28	6.2	1,113.8	–	–	1,113.8
<b>Financial liabilities:</b>						
Overdrafts	33	8.0	(15.2)	–	–	(15.2)
Revolving credits	33	4.8	(1,130.0)	–	–	(1,130.0)
Amounts due to Subsidiaries	34	4.1	(103.1)	–	–	(103.1)
<b>At 31 December 2013</b>						
<b>Fixed rate</b>						
<b>Financial assets:</b>						
Deposits	29	3.1	1.3	–	–	1.3
<b>Financial liabilities:</b>						
Term loan	33	6.9	(2.5)	–	–	(2.5)
Bank guaranteed medium term notes	33	5.5	(77.6)	(511.8)	(408.6)	(998.0)
<b>Floating rate</b>						
<b>Financial assets:</b>						
Amounts due from Subsidiaries	28	6.4	553.8	–	–	553.8
<b>Financial liabilities:</b>						
Term loan	33	4.7	(5.0)	–	–	(5.0)
Overdrafts	33	7.7	(14.8)	–	–	(14.8)
Revolving credits	33	4.6	(430.0)	–	–	(430.0)
Amounts due to Subsidiaries	34	4.2	(352.6)	–	–	(352.6)

## notes to the financial statements

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

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

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM19.2 million and RM4.3 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and higher/lower interest income from floating rate fixed deposits. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

#### Liquidity risk

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

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

	Note	On demand or within one year RM Million	One to five years RM Million	More than 5 years RM Million	Total RM Million
<b>Group</b>					
<b>2014</b>					
Borrowings	33	5,128.3	2,152.5	108.8	7,389.6
Trade and other payables	34	1,812.8	26.7	–	1,839.5
Total undiscounted financial liabilities		6,941.1	2,179.2	108.8	9,229.1
<b>2013</b>					
Borrowings	33	3,742.3	3,081.4	144.1	6,967.8
Trade and other payables	34	2,316.6	26.7	–	2,343.3
Total undiscounted financial liabilities		6,058.9	3,108.1	144.1	9,311.1

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

#### Liquidity risk (cont'd.)

	Note	On demand or within one year RM Million	One to five years RM Million	Total RM Million
<b>Company</b>				
<b>2014</b>				
Borrowings	33	1,743.5	432.3	2,175.8
Trade and other payables	34	117.4	–	117.4
Total undiscounted financial liabilities		1,860.9	432.3	2,293.2
<b>2013</b>				
Borrowings	33	554.9	973.5	1,528.4
Trade and other payables	34	366.1	–	366.1
Total undiscounted financial liabilities		921.0	973.5	1,894.5

#### Credit risk

The Group seeks to invest cash assets safely and profitably. The Group also seeks to control credit risk by setting counterparty limits, obtaining bank guarantees where appropriate; and ensuring that sale of products and services are made to customers with an appropriate credit history, and monitoring customers' financial standing through periodic credit reviews and credit checks at point of sales. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

As at 31 December 2014, the Group has a significant concentration of credit risk in the form of outstanding balance due from the Government of Malaysia, representing approximately 15.7% (2013: 46.3%) of the Group's total net trade receivables.

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

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

## notes to the financial statements

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

#### Foreign currency risk

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

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

	Deposits, cash and bank balances RM Million	Receivables RM Million	Payables RM Million	Borrowings RM Million	Total RM Million
<b>Group</b>					
<b>At 31 December 2014</b>					
US Dollar	0.9	13.5	(213.8)	(96.9)	(296.3)
Euro	29.0	–	(54.6)	–	(25.6)
Great Britain Pound	0.6	0.1	(82.7)	(72.3)	(154.3)
Others	–	–	(0.5)	–	(0.5)
	<b>30.5</b>	<b>13.6</b>	<b>(351.6)</b>	<b>(169.2)</b>	<b>(476.7)</b>
<b>At 31 December 2013</b>					
US Dollar	48.7	13.0	(413.9)	(97.5)	(449.7)
Euro	0.1	–	(56.0)	–	(55.9)
Great Britain Pound	–	–	(4.2)	–	(4.2)
Others	–	0.6	(0.7)	–	(0.1)
	<b>48.8</b>	<b>13.6</b>	<b>(474.8)</b>	<b>(97.5)</b>	<b>(509.9)</b>

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

	Group	
	2014 RM Million	2013 RM Million
US Dollar/RM		
– strengthened by 5%	(5.7)	(3.1)
– weakened by 5%	5.7	3.1
Great Britain Pound/RM		
– strengthened by 5%	(5.8)	(0.2)
– weakened by 5%	5.8	0.2

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

### Market price risk

The Group is exposed to equity price risk arising from its investment in quoted available-for-sale equity instruments. All of the Group's quoted equity instruments are listed on Bursa Malaysia. These instruments are classified as financial assets.

At the reporting date, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the impact to the Group's other reserve in equity would be insignificant.

## 38. FAIR VALUE MEASUREMENTS

### Determination of fair value

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

	<b>Note</b>
Trade and other receivables (current)	28
Amount due from holding corporation	28
Amounts due from Subsidiaries	28
Amounts due from associates	28
Amounts due from joint ventures	28
Amounts due from other related companies	28
Borrowings (current)	33
Trade and other payables (current)	34
Other payables (non-current)	34
Amounts due to Subsidiaries	34
Amounts due to associates	34
Amounts due to joint ventures	34
Amounts due to other related companies	34

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

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

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

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

## notes to the financial statements

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

#### Determination of fair value (cont'd.)

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

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

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

Investment properties are measured at fair value using valuation reports prepared by independent professional valuers on an open market approach. The assumptions used in arriving at the investment properties' values take into consideration the property type, size, location, tenure, title restrictions and other relevant characteristics. Significant increase/(decrease) in estimated market value per square foot in isolation, would result in a significantly higher/(lower) fair value of the properties. The investment properties are not currently at their highest and best use as they are held for long term investment purposes.

#### Fair value hierarchy

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

	Level 1 RM Million	Level 2 RM Million	Total RM Million
<b>Group</b>			
<b>2014</b>			
<b>Assets</b>			
Investments	38.2	–	38.2
Investment properties	–	1,534.2	1,534.2
Forward currency contracts	–	0.3	0.3
Total assets carried at fair value	38.2	1,534.5	1,572.7
<b>2013</b>			
<b>Assets</b>			
Investments	44.9	–	44.9
Investment properties	–	1,320.8	1,320.8
Forward currency contracts	–	3.0	3.0
Total assets carried at fair value	44.9	1,323.8	1,368.7

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

#### Fair value hierarchy (cont'd.)

	Level 1 RM Million	Level 2 RM Million	Total RM Million
<b>Company</b>			
<b>2014</b>			
<b>Assets</b>			
Investments	5.6	–	5.6
Investment properties	–	87.9	87.9
Total assets carried at fair value	5.6	87.9	93.5
<b>2013</b>			
<b>Assets</b>			
Investments	6.3	–	6.3
Investment properties	–	81.0	81.0
Total assets carried at fair value	6.3	81.0	87.3

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

#### Derivatives

	2014		2013	
	Contract/ notional amount RM Million	Fair value of derivatives RM Million	Contract/ notional amount RM Million	Fair value of derivatives RM Million
<b>Group</b>				
<b>Current</b>				
<b>Non-hedging derivative assets (Note 28)</b>				
Forward currency contracts	145.5	0.3	368.2	3.0

## notes to the financial statements

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

#### Derivatives (cont'd.)

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

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

As disclosed in Note 6 to the financial statements, the Group recognised a gain of RM0.2 million (2013: RM11.2 million) arising from the fair value changes in derivatives. The fair value changes are attributable to changes in foreign exchange spot, foreign exchange forward rates and interest rate. The methods and assumptions applied in determining the fair values of derivatives are disclosed above.

#### Borrowings

	2014		2013	
	Carrying amount RM Million	Fair value of borrowings RM Million	Carrying amount RM Million	Fair value of borrowings RM Million
<b>Group</b>				
<b>Non-current borrowings (Note 33)</b>				
Term loans	1,030.1	1,030.1	1,249.9	1,249.9
Bank guaranteed medium term notes	409.0	398.5	920.4	910.1
Asset-backed bonds	756.9	755.5	896.2	893.0
	<b>2,196.0</b>	<b>2,184.1</b>	3,066.5	3,053.0
<b>Company</b>				
<b>Non-current borrowings (Note 33)</b>				
Bank guaranteed medium term notes	409.0	398.5	920.4	910.1

### 39. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 33) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 33) over the aggregate of the equity held by shareholders and non-controlling interests is 0.94 times (2013: 1.12 times). The Group's policy is to keep gearing within manageable levels.

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

### 40. COMMITMENTS

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Authorised and contracted</b>				
Capital expenditure	280.4	282.5	1.6	0.1
Proposed acquisition of a Subsidiary	4.0	70.2	4.0	–
Share of joint venture's capital commitment in relation to investment properties	384.1	214.3	–	–
	<b>668.5</b>	<b>567.0</b>	<b>5.6</b>	<b>0.1</b>
<b>Authorised but not contracted</b>				
Capital expenditure	486.5	298.9	0.7	2.1
Additional investment in a joint venture	–	180.0	–	–
	<b>486.5</b>	<b>478.9</b>	<b>0.7</b>	<b>2.1</b>

## notes to the financial statements

### 41. OPERATING LEASE OBLIGATION

#### Group as a lessee

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

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

	Group	
	2014 RM Million	2013 RM Million
Within 1 year	2.7	25.3
Later than 1 year but not later than 5 years	12.1	12.3
Later than 5 years	14.5	16.9
	<b>29.3</b>	54.5

#### Group as a lessor

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

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Within 1 year	69.4	44.8	6.2	5.5
Later than 1 year but not later than 5 years	90.5	41.7	6.6	4.7
	<b>159.9</b>	86.5	<b>12.8</b>	10.2

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## 42. SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

## notes to the financial statements

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

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

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Associates and joint ventures</b>				
Agricultural research and advisory services paid	11.1	11.9	–	–
Insurance premium paid	23.1	23.3	–	–
Rental income on office premises	19.2	16.3	–	–
Sales of goods	0.1	0.4	–	–
Professional fees paid	2.4	4.1	2.2	4.0
Insurance commission received	3.3	3.6	–	–
Rendering of services	63.3	82.2	–	–
<b>Holding corporation</b>				
Purchase of land	–	106.7	–	–
Provision of project management services	0.5	2.2	–	–
<b>Subsidiaries of holding corporation</b>				
Sales of goods	42.7	38.5	–	–
Provision of project management services	0.5	0.1	–	–
Rental expense				
– Hotel	12.4	12.6	–	–
– Office premises	0.7	0.7	–	–
Provision of renovation works	–	0.1	–	–
Provision of construction works	0.4	0.4	–	–
<b>Firms in which Directors have a substantial interest</b>				
Legal and professional fees paid	7.6	10.5	–	–
<b>Government-related financial institutions</b>				
Interest income	9.5	7.5	1.1	0.2
Finance cost	251.5	156.4	75.7	76.7

The Directors are of the opinion that the above transactions are in the normal course of business and at terms mutually agreed between parties.

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

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

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
<b>Directors</b>				
Fees	1.2	1.0	0.4	0.4
Remuneration	4.5	3.7	3.2	0.2
Defined contribution plans	0.6	0.6	0.4	–
Meeting allowances	0.2	0.1	–	–
Estimated monetary value of benefits-in-kind	0.3	0.7	0.1	–
	<b>6.8</b>	6.1	<b>4.1</b>	0.6
<b>Other key management personnel</b>				
Short term employee benefits	45.7	40.5	5.6	4.6
Defined contribution plans	5.5	4.8	0.8	0.7
	<b>51.2</b>	45.3	<b>6.4</b>	5.3
Total paid to key management personnel	<b>58.0</b>	51.4	<b>10.5</b>	5.9

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

The significant transactions with Government-related entities are as follows:

- (a) On 7 September 2012, a Subsidiary received a letter of award from the Ministry of Defence (MINDEF) to supply and deliver spare parts, maintenance services and training for the 23rd frigate squadron of the Royal Malaysian Navy at a contract value of RM70 million for a period of 3 years from the date of acceptance of the award. The aggregate revenue recognised for the year ended 31 December 2014 amounted to RM13 million (2013: RM5 million).

On 16 December 2011, the Subsidiary received a letter of award from MINDEF to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of 'Second Generation Patrol Vessels Littoral Combat Ship (Frigate Class)' (LCS) at a contract value of RM9 billion. The aggregate revenue recognised under the letter of award for the year ended 31 December 2014 amounted to RM999 million (2013: RM1,527 million).

On 2 December 2009, the Subsidiary signed a contract with MINDEF to provide Service Life Extension Programme for Kasturi Class Corvettes (KD Kasturi and KD Lekir) a contract sum of RM704 million. The aggregate revenue recognised for the year ended 31 December 2014 amounted to RM132 million (2013: RM85 million).

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## notes to the financial statements

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

The significant transactions with Government-related entities are as follows: (cont'd.)

- (b) On 16 March 2011, a Subsidiary entered into a Concession Agreement with the Government of Malaysia represented by the Ministry of Health Malaysia (MOH) for a period of ten years expiring on 30 November 2019 for the right and authority to purchase, store, supply and distribute the Approved Products (drugs and non-drugs approved by MOH) to the Public Sector Customers such as government hospital, health office, health clinic, dental clinic or any health institution or other similar facility within Malaysia which is operated and controlled by MOH and as determined by MOH from time to time. The aggregate revenue recognised for the year amounted to RM1,732 million (2013: RM1,443 million).

### 43. SIGNIFICANT EVENTS

- (a) During the year, PT Errita Pharma (Errita) became a 75% Subsidiary of the Company's Subsidiary, Pharmaniaga Berhad, following the acquisition of 30,000 ordinary shares of Errita for a cash consideration of RM74 million.
- (b) On 26 June 2014, the entire issued and paid up share capital of Boustead Plantations Berhad (BPlant) comprising 1.6 billion ordinary shares of RM0.50 each (BPlant Shares) was admitted to the Official List of Bursa Malaysia Securities Berhad (Bursa Securities) and was listed on the Main Market of Bursa Securities.

Pursuant to the initial public offering (IPO), 656 million BPlant Shares comprising 76 million existing BPlant Shares held by the Company and 580 million new BPlant Shares were offered for sale at RM1.60 per BPlant Share. After taking into account the over-allotment of existing BPlant Shares that formed an integral part of the price stabilisation action which ended on 25 July 2014, the total existing BPlant Shares offered for sale by the Company came to 101.33 million. Accordingly, the Company's shareholding in BPlant was diluted from 100% to 57.42%.

The IPO of BPlant Shares resulted in a gain of RM10.1 million and RM119.1 million for the Group and the Company respectively.

- (c) On 17 July 2014, the Group's Subsidiary Boustead Naval Shipyard Sdn Bhd and the Ministry of Defence Malaysia (MOD) finalised the negotiations and signed a formal contract at a value of RM9 billion, pursuant to the amended letter of acceptance received on 1 October 2013 from MOD acting on behalf of the Government of Malaysia to design, construct, equip, install, commission, integrate, test and trials, and deliver six units of Second Generation Patrol Vessels with Littoral Combat Ship (LCS) capability for the Royal Malaysian Navy.
- (d) On 23 July 2014, the Group's wholly owned Subsidiary Bestari Marine Sdn Bhd (now renamed Boustead Cruise Centre Sdn Bhd) entered into a conditional sale and purchase agreement to purchase 9 parcels of land with a combined titled land area of 69.88 acres together with a cruise centre terminal and a jetty situated in the Mukim and District of Klang, Selangor at a cash consideration of RM310.0 million. The acquisition was duly completed on 24 October 2014.

### 43. SIGNIFICANT EVENTS (CONT'D.)

- (e) On 24 July 2014 the Group entered into a sale and purchase agreement with Pastel Estate Limited to purchase a freehold property known as Hyde Park Hotel which is situated at 23-26 Leister Square London W2 4NE for a cash consideration of £25,500,000 (equivalent to RM138,975,000 based on exchange rate of £1 : RM5.45). The purchase was duly completed on 17 September 2014.
- (f) On 10 October 2014, the Group's wholly owned Subsidiary, Boustead Curve Sdn Bhd (BCurve) entered into a joint venture agreement with Themed Attractions and Resorts Sdn Bhd, a wholly owned subsidiary of Cameron Highlands Holdings Sdn Bhd which in turn is a wholly-owned subsidiary of Khazanah Nasional Berhad, to form a joint venture company known as Rakan Riang Pte Ltd (RRPL) for the purpose of operating one or more educational and entertainment facilities in Singapore.

During the year, BCurve subscribed for its 20% share of the paid up capital of RRPL comprising 3,600,000 ordinary shares of SGD1.00 each and 2,040,000 redeemable convertible preference shares of SGD10.00 each.

- (g) During the year, the Company further issued Junior Sukuk Musharakah (Perpetual Sukuk) with a nominal value of RM451.0 million bringing the cumulative amount raised under the RM1.2 billion Junior Islamic Medium Term Note Programme to RM1,134.0 million.
- (h) During the year, the Group's Subsidiary, Mutiara Rini Sdn Bhd, subscribed for 180 million ordinary shares of RM1.00 in the joint venture company, Boustead Ikano Sdn Bhd at a cash consideration of RM180.0 million.
- (i) During the year, the Company subscribed for its entitlement in Affin Holdings Berhad's rights issue comprising 92,772,122 ordinary shares of RM1.00 each, at a cash consideration of RM256.1 million.
- (j) On 6 August 2014, the Company entered into a conditional shares sale agreement (SSA) with the shareholders (Vendors) of PFC Engineering Sdn Bhd (PFCE) for the acquisition of 8,000,000 ordinary shares of RM1.00 each representing 80% of the issued and paid up share capital of PFCE at a cash consideration of RM20 million. The SSA shall be subject to the satisfactory results of due diligence investigations to be carried out by the Company during the period of 3 months commencing from the date of the SSA. The Company and the Vendors have mutually agreed to further extend the period to fulfil the conditions precedent to 15 March 2015.

## notes to the financial statements

### 44. ACQUISITION OF SUBSIDIARY

As disclosed in Note 43(a), PT Errita Pharma (Errita) became a Subsidiary during the current financial year. In the previous year, Al-Hadharah Boustead REIT became a wholly owned Subsidiary of Boustead Plantations Berhad by way of Selective Unit Redemption (SUR). The fair value of the assets acquired and liabilities assumed upon these acquisitions are as follows:

	Group	
	2014 RM Million	2013 RM Million
Net assets acquired:		
Property, plant and equipment (Note 13)	(14.7)	(818.7)
Biological assets (Note 14)	-	(501.4)
Prepaid land lease payments (Note 17)	(1.5)	-
Intangible assets (Note 24)	(67.7)	-
Current assets	(5.2)	(25.1)
Dividend payable	-	100.3
Other current liabilities	1.1	109.1
Long term borrowings	-	90.0
Deferred tax liabilities (Note 19)	5.6	-
Non-controlling interest	8.4	-
Purchase consideration	(74.0)	(1,045.8)
Deposit paid during the previous year	4.5	-
SUR offer price payable to unitholders of Al-Hadharah Boustead REIT	-	564.5
Carrying value of the Group's investment in Al-Hadharah Boustead REIT	-	481.3
Cash and cash equivalents acquired	0.3	21.5
Net cash (outflow)/inflow on acquisition	(69.2)	21.5

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

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

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

	Group		Company	
	2014 RM Million	2013 RM Million	2014 RM Million	2013 RM Million
Total retained earnings of the Company and Subsidiaries				
– Realised	<b>2,679.4</b>	2,649.9	<b>111.2</b>	211.5
– Unrealised	<b>367.2</b>	284.7	<b>30.5</b>	24.7
	<b>3,046.6</b>	2,934.6	<b>141.7</b>	236.2
Total share of retained earnings of associates and joint ventures				
– Realised	<b>859.9</b>	758.8	–	–
– Unrealised	<b>75.6</b>	63.7	–	–
	<b>3,982.1</b>	3,757.1	<b>141.7</b>	236.2
Consolidation adjustments	<b>(1,750.6)</b>	(1,384.3)	–	–
	<b>2,231.5</b>	2,372.8	<b>141.7</b>	236.2

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

# boustead group

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2014	% 2013
<b>As at 31 December 2014</b>				
<b>SUBSIDIARIES</b>				
Boustead Properties Berhad	Investment holding and property investment	RM255,199,031	100	100
Boustead Plantations Berhad	Investment holding and oil palm cultivation	RM800,000,000	57	100
Pharmaniaga Berhad**	Investment holding	RM129,441,366	56	56
Boustead Heavy Industries Corporation Berhad	Investment holding	RM248,457,612	65	65
Boustead Naval Shipyard Sdn Bhd	Construction, repair and maintenance of naval and merchant ships	RM130,000,003	82	82
Boustead Petroleum Marketing Sdn Bhd**	Marketing of petroleum products	RM229,967,000	42	42
UAC Berhad	Manufacture of fibre cement products and property investment	RM1,000,000	100	100
Boustead Segaria Sdn Bhd	Investment holding	RM18,000,520	100	100
Boustead Credit Sdn Bhd	Hire purchase and lease financing	RM15,000,000	100	100
Boustead Engineering Sdn Bhd	Engineering equipment and chemicals distributor	RM8,000,000	100	100
Boustead Global Trade Network Sdn Bhd	Insurance agent	RM3,000,000	100	100
Boustead Weld Quay Sdn Bhd	Property investment and hotel operations	RM100,000,000	100	100
Boustead Travel Services Sdn Bhd	Travel agent	RM5,500,000	100	100
Boustead Management Services Sdn Bhd	Management services	RM3,000,000	100	100
Boustead Information Technology Sdn Bhd	Computer services	RM1,000,000	100	100
Boustead Construction Sdn Bhd	Project management	RM1,000,000	100	100
Mutiara Rini Sdn Bhd	Property developer	RM75,000,000	100	100
U.K. Realty Sdn Bhd	Property developer	RM40,000,000	100	100
Boustead Balau Sdn Bhd	Property developer	RM30,000,000	100	100
Boustead Curve Sdn Bhd	Property investment	RM150,000,000	100	100

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2014	% 2013
<b>As at 31 December 2014</b>				
Damansara Entertainment Centre Sdn Bhd	Property investment	RM60,000,000	100	100
Boustead Hotels & Resorts Sdn Bhd	Hotel operations	RM75,000,000	100	100
Boustead Realty Sdn Bhd	Property investment	RM100,000,000	100	100
Boustead Weld Court Sdn Bhd	Property investment	RM20,000,000	100	100
Nam Seng Bee Hoon Sdn Bhd	Property investment	RM20,000,000	100	100
Mecuro Properties Sdn Bhd	Property investment	RM2	100	100
Boustead Shipping Agencies Sdn Bhd	Shipping agent	RM5,000,000	100	100
Boustead Solandra Sdn Bhd	Oil palm cultivation	RM200,000	100	100
AB Shipping Sdn Bhd	Shipbroker	RM45,000	100	100
Boustead Cruise Centre Sdn Bhd (formerly known as Bestari Marine Sdn Bhd)	Provision of port facilities and services to cruise and navy vessels	RM32,000,000	100	100
Boustead Hyde Park Ltd <sup>&amp;</sup>	Hotel operations	–	100	–
Boustead Building Materials Sdn Bhd	Building products distributor and project management	RM50,000,000	100	100
Boustead DCP Sdn Bhd	Manufacture of chilled water	RM12,000,000	100	100
Bakti Wira Development Sdn Bhd	Investment holding	RM75,000	100	100
Boustead Sissons Paints Sdn Bhd	Paint manufacturer	RM22,663,000	100	100
Cargo Freight Shipping Sdn Bhd	Shipping agent	RM186,000	100	70
Johan Ceramics Berhad	Manufacture of glazed ceramic wall and floor tiles	RM84,898,510	98	98
Midas Mayang Sdn Bhd	Property investment	RM10,000,000	80	80
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM154,960,000	66	66
Astacanggih Sdn Bhd	Investment holding	RM20,000,000	80	80
Boustead Rimba Nilai Sdn Bhd	Cultivation and processing of oil palm	RM100,000,000	57	100

**boustead group**

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2014	% 2013
<b>As at 31 December 2014</b>				
<b>SUBSIDIARIES (CONT'D.)</b>				
Boustead Emastulin Sdn Bhd	Cultivation and processing of oil palm	RM17,000,000	57	100
Boustead Eldred Sdn Bhd	Oil palm cultivation	RM15,000,000	57	100
Boustead Trunkline Sdn Bhd	Oil palm cultivation	RM7,000,000	57	100
Boustead Gradient Sdn Bhd	Cultivation and processing of oil palm	RM3,000,000	57	100
Boustead Estates Agency Sdn Bhd	Plantation management	RM1,050,000	57	100
Boustead Sungai Manar Sdn Bhd	Property investment	RM4,500,000	57	100
Boustead Advisory and Consultancy Services Sdn Bhd	Plantation management	RM500,002	57	100
Boustead Telok Sengat Sdn Bhd	Cultivation and processing of oil palm	RM9,184,000	57	100
Boustead Sedili Sdn Bhd	Oil palm cultivation	RM6,150,000	40	70
Boustead Pelita Kanowit Oil Mill Sdn Bhd	Processing of oil palm	RM30,000,000	34	60
Boustead Pelita Kanowit Sdn Bhd	Cultivation of oil palm	RM34,560,000	34	60
Boustead Pelita Tinjar Sdn Bhd	Cultivation and processing of oil palm	RM48,000,000	34	60
Pharmaniaga Manufacturing Berhad**	Manufacture of pharmaceutical products	RM10,000,000	56	56
Pharmaniaga Logistics Sdn Bhd**	Procurement and distribution of pharmaceutical and medical products	RM40,000,000	56	56
Pharmaniaga Marketing Sdn Bhd**	Marketing of pharmaceutical products	RM3,000,000	56	56
Pharmaniaga LifeScience Sdn Bhd**	Manufacture of pharmaceutical products	RM75,000,000	56	56
Pharmaniaga Research Centre Sdn Bhd**	Pharmaceutical research & development	RM100,000	56	56
Pharmaniaga Biomedical Sdn Bhd**	Supply & installation of medical and hospital equipment	RM8,000,000	56	56
Idaman Pharma Manufacturing Sdn Bhd**	Manufacture of pharmaceutical products	RM25,000,000	56	56

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2014	% 2013
<b>As at 31 December 2014</b>				
Pharmaniaga Pristine Sdn Bhd**	Retail pharmaceutical	RM20,000,050	56	56
Pharmaniaga International Corporation Sdn Bhd**	Investment holding	RM12,000,000	56	56
PT Errita Pharma***+	Manufacture and sale of pharmaceutical products in Indonesia	Rp95,832,000,000	42	–
PT Millennium Pharmacon International Tbk***+	Distribution of pharmaceutical & diagnostic products and food supplements	Rp72,800,000,000	31	31
UAC Steel Systems Sdn Bhd	Manufacture, sale and installation of steel roof truss systems	RM1,860,000	100	100
Boustead Penang Shipyard Sdn Bhd	Heavy engineering construction, ship repair and shipbuilding	RM350,000,000	65	65
Perstim Industries Sdn Bhd	Investment holding	RM51,155,724	65	65
BHIC Marine Carrier Sdn Bhd	Provision of engineering services for oil and gas industry	RM3,000,000	65	65
Dominion Defence & Industries Sdn Bhd	Supply and services of marine and defence related products	RM1,000,000	65	65
BHIC Defence Techservices Sdn Bhd	Provision of maintenance and services for defence related products	RM1,000,000	65	65
BHIC Defence Technologies Sdn Bhd	Investment holding	RM36,579,282	65	65
Naval and Defence Communication System Sdn Bhd	Provision for maintenance and services of telecommunication systems	RM100,000	65	65
BHIC Navaltech Sdn Bhd	In-service support for the maintenance, services and supply of spare parts for vessels	RM1,000,000	65	65

**boustead group**

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2014	% 2013
<b>As at 31 December 2014</b>				
<b>SUBSIDIARIES (CONT'D.)</b>				
BHIC Electronics and Technologies Sdn Bhd	Provision of maintenance and services for defence weapons and related products	RM2,329,897	65	65
BHIC Allied Defence Technology Sdn Bhd	Supply of electronics and system technology to defence related industry	RM510,000	65	65
Malaysian Heavy Industry Group Sdn Bhd	Investment holding	RM25,000	39	39
Boustead Langkawi Shipyard Sdn Bhd	Repair and maintenance of luxury boats and yachts	RM100,000,000	82	82
Boustead Petroleum Sdn Bhd	Investment holding	RM118,329,300	60	60
MHS Aviation Berhad	Provision of air transportation, flight support, engineering and technical services	RM20,000,000	51	51
MHS Assets Sdn Bhd	Leasing of aircraft	RM10,000,000	51	51
Boustead Atlas Hall Sdn Bhd	Oil and gas engineering agency	RM3,265,306	51	51
Boustead Idaman Sdn Bhd	Dormant	RM13,000,000	100	100
Bounty Crop Sdn Bhd	Ceased operation	RM70,200,000	57	100
<b>ASSOCIATES</b>				
Pavilion Entertainment Centre (M) Sdn Bhd	Property development	RM3,000,000	50	50
Drew Ameroid (Malaysia) Sdn Bhd	Industrial chemicals distributor	RM20,000	50	50
Boustead Wah Seong Sdn Bhd	Investment holding	RM1,000,000	50	50
Wah Seong Boustead Co Ltd <sup>^</sup>	Consumer and building products distributor	Kyat2,760,000	50	50
Kao (Malaysia) Sdn Bhd	Toiletries, household products distributor	RM16,000,000	45	45
Applied Agricultural Resources Sdn Bhd	Agricultural research and advisory services	RM500,000	29	50
Cadbury Confectionery Malaysia Sdn Bhd	Chocolate and sugar confectionery manufacturer	RM8,185,000	25	25

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2014	% 2013
<b>As at 31 December 2014</b>				
Affin Holdings Berhad	Financial services group	RM1,942,948,547	21	21
Jendela Hikmat Sdn Bhd	Property development	RM42,000,000	30	30
Rakan Riang Sdn Bhd	Operating education and entertainment facilities	RM30,600,000	20	20
Rakan Riang Pte Ltd#	Operating education and entertainment facilities	S\$24,000,000	20	–
K'Line Kinkai (Malaysia) Sdn Bhd	Shipping agent	RM500,000	–	30
<b>JOINT VENTURES</b>				
Boustead Ikano Sdn Bhd	Property investment	RM400,000,000	50	50
BHIC MSM Sdn Bhd	Provision for maintenance and repair of MTU products	RM1,000,000	39	39
Boustead DCNS Naval Corporation Sdn Bhd	Vessel maintenance	RM10,000,000	39	39
Contraves Advanced Devices Sdn Bhd	Manufacture of electronic products	RM5,000,000	33	33
BYO Marine Sdn Bhd	Construction of vessels	RM100	33	33
BHIC Bofors Asia Sdn Bhd	Providing, supplying and servicing BOFORS weapons system	RM1,000,000	33	33
BHIC Aeroservices Sdn Bhd	Maintenance, repair and overhaul of rotary and fixed wing aircraft	RM500,000	33	33

\* Incorporated in Malaysia unless otherwise indicated

\*\* Subsidiaries not audited by Ernst & Young

+ Incorporated in Indonesia

^ Incorporated in Myanmar

# Incorporated in Singapore

& Incorporated in British Virgin Island

# additional disclosures

## 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

The Company did not receive any proceeds from corporate proposal during the financial year ended 31 December 2014.

## 2. SHARE BUY BACKS DURING THE FINANCIAL YEAR

The Company did not carry out any share buy back exercises during the financial year ended 31 December 2014.

## 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2014.

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

The Company has not sponsored any ADR/GDR programme during the financial year ended 31 December 2014.

## 5. SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its Subsidiaries, Directors and Management by the relevant regulatory bodies during the financial year ended 31 December 2014.

## 6. NON-AUDIT FEES

	Group RM'000	Company RM'000
Non-audit fees paid to the external auditors for the financial year ended 31 December 2014		
– Auditor of the Company	714	97
– Others	521	189
	1,235	286

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

## 7. VARIATION IN RESULT

There was no profit estimation, forecast and projection made or released by the Company during the financial year ended 31 December 2014.

## 8. PROFIT GUARANTEE

There was no profit guarantees given by the Company and its Subsidiaries during the financial year ended 31 December 2014.

## 9. MATERIAL CONTRACTS

There were no material contracts which had been entered into by the Group involving the interests of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2014 or entered into since the end of the previous financial year.

# recurrent related party transactions

At the Annual General Meeting held on 7 April 2014, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 3.1.5 of Practice Note No. 12 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2014 pursuant to the Shareholders' Mandate are disclosed as follows:

Related party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Naval Shipyard Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Shipbuilding and ship repair works provided to Boustead Heavy Industries Corporation Berhad	22.7
	Dato' Ghazali Mohd Ali	Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	1.1
	Datuk Azzat Kamaludin	Premise rental paid by Boustead Heavy Industries Corporation Berhad	5.7
	LTAT	Provision of computer service from Boustead Information Technology Sdn Bhd	0.4
Boustead Heavy Industries Corporation Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Sale of equipment and machinery for ship related activities to Boustead Naval Shipyard Sdn Bhd	0.3
	Dato' Ghazali Mohd Ali	Shipbuilding and ship repair works provided to Boustead Naval Shipyard Sdn Bhd	135.5
	Datuk Azzat Kamaludin	Premise rental paid by Boustead Naval Shipyard Sdn Bhd	0.8
	LTAT	Provision of training to Boustead Naval Shipyard Sdn Bhd	1.0
		Office rental at Menara Boustead, Penang paid to Boustead Holdings Berhad	0.3
Boustead Petroleum Marketing Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Sale of non-regulated petroleum products to Boustead Group	10.1
	Dato' Ghazali Mohd Ali		
	LTAT		

## recurrent related party transactions

Related party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Plantations Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Provision of IT related service from Boustead Information Technology Sdn Bhd	2.5
	LTAT	Office rental at Menara Boustead paid to Boustead Realty Sdn Bhd	1.1
Pharmaniaga Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Provision of corporate and administrative support services and training from Boustead Holdings Berhad	0.8
	LTAT	Premise rental paid to Boustead Curve Sdn Bhd	1.1
Affin Holdings Berhad Group	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Office rental for Menara Boustead, Menara Affin and the Curve paid to Boustead Realty Sdn Bhd, Boustead Properties Berhad and Boustead Curve Sdn Bhd	14.7
	Dato' Ghazali Mohd Ali		
	Datuk Azzat Kamaludin	Provision of professional service to Boustead Holdings Berhad and Boustead Naval Shipyard Sdn Bhd	2.4
Irat Hotels and Resorts Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin	Rental of hotel building paid by Boustead Hotels and Resorts Sdn Bhd	12.4
	Dato' Ghazali Mohd Ali		
	LTAT		
Arkitek MAA	Dato' Ghazali Mohd Ali	Architectural services to Boustead Curve Sdn Bhd, Boustead Weld Quay Sdn Bhd, Damansara Entertainment Centre Sdn Bhd, Mutiara Rini Sdn Bhd and Boustead Balau Sdn Bhd	7.2
Azzat & Izzat	Datuk Azzat Kamaludin	Provision of legal services to Boustead Holdings Berhad Group	0.4
LTAT	Tan Sri Dato' Seri Lodin Wok Kamaruddin LTAT	Provision of project management service from Boustead Properties Berhad	0.5

# top 30 properties of the group

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
The Curve, Jalan PJU 7/3, Mutiara Damansara, Selangor	5.0	Commercial land and building	Freehold	10	592.0	*2014
Lot 78143/78144/78146/78147/78148/78153/78154/78155 and PT63807 Mukim Klang, Daerah Klang, Selangor	25.8	Cruise terminal building, jetty and industrial land	1996 – 2095	15	319.8	2014
Telok Sengat Estate, Kota Tinggi, Johor	3,698.6	Oil palm estate & palm oil mill	Freehold	28	282.9	2013
University of Nottingham in Malaysia, Semenyih Selangor	41.2	University Campus	Freehold	9	242.6	2003
Royale Chulan Damansara, No 2, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.88	Hotel	Freehold	3	205.0	2012
eCurve, Jalan PJU 7/3 Mutiara Damansara,	1.6	Commercial land and building	Freehold	9	192.4	*2014
G&G Estate, Lahad Datu, Sabah Selangor	2,409.8	Oil palm estate	1978 – 2077		187.7	2013
PT 216/PT220, Mukim of Kapar, District of Klang, and Lot 1158, Mukim of Bukit Raja, District of Petaling, Selangor	81.0	Development land	Freehold		162.8	2014
Menara Affin 80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office Complex	Freehold	16	153.0	*2014
Sutera Estate, Sandakan Sabah	2,200.7	Oil palm estate	1888 – 2887		145.0	2013
23-26, Leinster Square, London	0.1	Hotel	Freehold	>100	142.8	2014

### top 30 properties of the group

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Bukit Mertajam Estate, Kulim, Kedah	2,164.8	Oil palm estate	Freehold		140.2	2013
Sungai Sungai Estate, Sugut, Sabah	5,563.7	Oil palm estate & palm oil mill	1997 – 2098	9	128.8	2012
Malakoff Estate, Tasek Glugor, Pulau Pinang	1,379.0	Oil palm estate	Freehold		127.7	2013
Mutiara Rini, Kulai, Johor	144.5	Development land	1912 – 2911		123.7	1995
Bebar Estate, Rompin, Pahang	2,340.6	Oil palm estate	1984 – 2083		121.1	2013
Curve NX, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.61	Commercial land and building	Freehold	3	119.0	*2014
Royale Bintang Penang Pengkalan Weld, Pulau Pinang	0.48	Hotel	Freehold	1	118.6	2007
Menara Boustead, 69 Jalan Raja Chulan, Kuala Lumpur	0.43	Office Complex	Freehold	29	117.2	2001
PT480 and PT481 Seksyen 90 Bandar Kuala Lumpur	2.0	Commercial land	Freehold		105.0	*2014
Lepan Kabu Estate, Kuala Pahi, Kelantan	2,034.6	Oil palm estate & palm oil mill	Freehold	44	102.7	2013
Royale Bintang Kuala Lumpur, 17-21 Jalan Bukit Bintang, Kuala Lumpur	0.31	Hotel	Freehold	17	96.3	2003
Segaria Estate, Semporna Sabah	4,746.2	Oil palm estate & palm oil mill	1965 – 2072	34	93.7	2012
Menara UAC, 12 Jalan PJU 7/5 Mutiara Damansara, Selangor	0.57	Office Complex	Freehold	7	91.7	*2014

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Menara Boustead Penang, Jalan Sultan Ahmad Shah Georgetown, Pulau Pinang	4.0	Office Complex	Freehold	16	87.9	*2014
Royale Bintang Seremban, Jalan Dato' A.S. Dawood Seremban, Negeri Sembilan	2.5	Hotel	Freehold	14	87.8	2008
TRP Estate, Trong, Perak	1,379.2	Oil palm estate & palm oil mill	Freehold	13	81.8	2013
Lot PT 46016, HSD 87359 Mukim of Kapar, Klang Selangor	4.1	Industrial land and building	Freehold	20	80.5	2011
Lot 70, Mutiara Damansara Mukim Sungai Buluh, Selangor	4.4	Development land	Freehold		77.8	1999
Grant No. 44309, Mukim Pekan Puchong Perdana, Selangor	2.8	Industrial land and building	Freehold	14	73.2	2011

\* Year of revaluation

Book values are stated in RM million

## group oil palm agricultural statistics

	2014	2013	2012	2011	2010
<b>Planted area in hectares (ha)</b>					
Past prime	13,464	9,631	9,426	7,494	6,627
Prime	38,436	42,922	41,756	48,769	47,309
Young	12,636	12,542	11,595	11,650	13,695
Total mature	64,536	65,095	62,777	67,913	67,631
Immature	6,042	5,243	5,598	6,271	6,723
Total planted	70,578	70,338	68,375	74,184	74,354
<b>FFB Crop (MT)</b>	1,036,582	1,043,280	1,100,409	1,121,629	1,070,455
<b>FFB yield per mature ha (MT/ha)</b>	16.2	16.6	17.5	16.5	15.8
<b>Mill production (MT)</b>					
Palm oil	247,198	238,371	250,430	247,928	237,078
Palm kernel	51,533	52,927	56,059	56,339	54,269
<b>Extraction rate (%)</b>					
Palm oil	21.8	20.9	20.8	20.3	20.5
Palm kernel	4.5	4.6	4.7	4.6	4.7
<b>Oil yield per mature ha (MT/ha)</b>	3.5	3.5	3.7	3.9	3.7
<b>Average selling price (RM/MT)</b>					
FFB	511	486	577	687	556
Palm oil	2,401	2,353	2,902	3,272	2,622
Palm kernel	1,679	1,284	1,568	2,195	1,625

# plantation area statement

## AREA STATEMENT

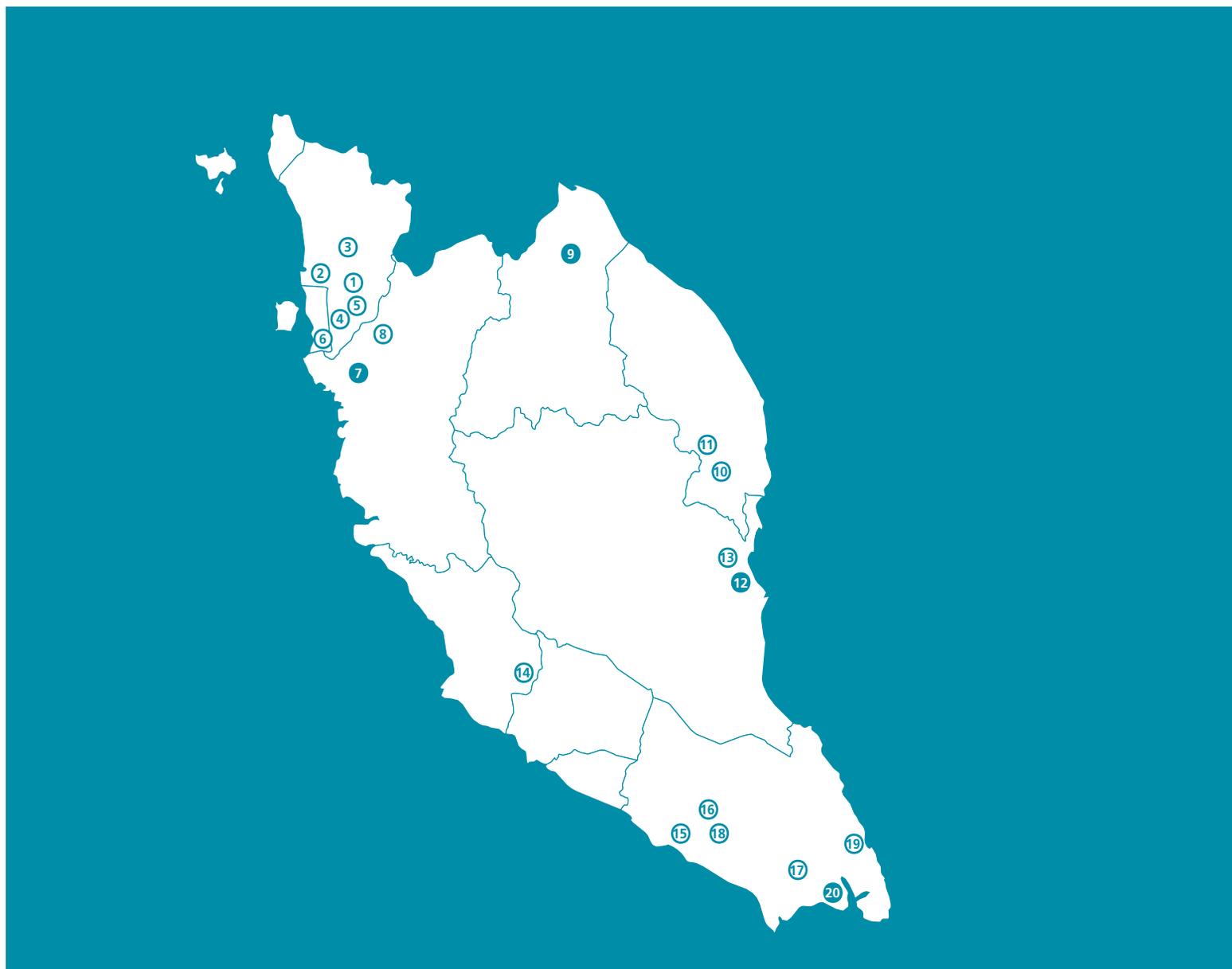
	2014		2013	
	Ha	%	Ha	%
Oil palm	70,578	84.7	70,338	84.9
Building sites, roads, unplatable areas, etc	12,782	15.3	12,552	15.1
<b>Total</b>	<b>83,360</b>	<b>100.0</b>	<b>82,890</b>	<b>100.0</b>

## AGE PROFILE OF PALMS

### 2014

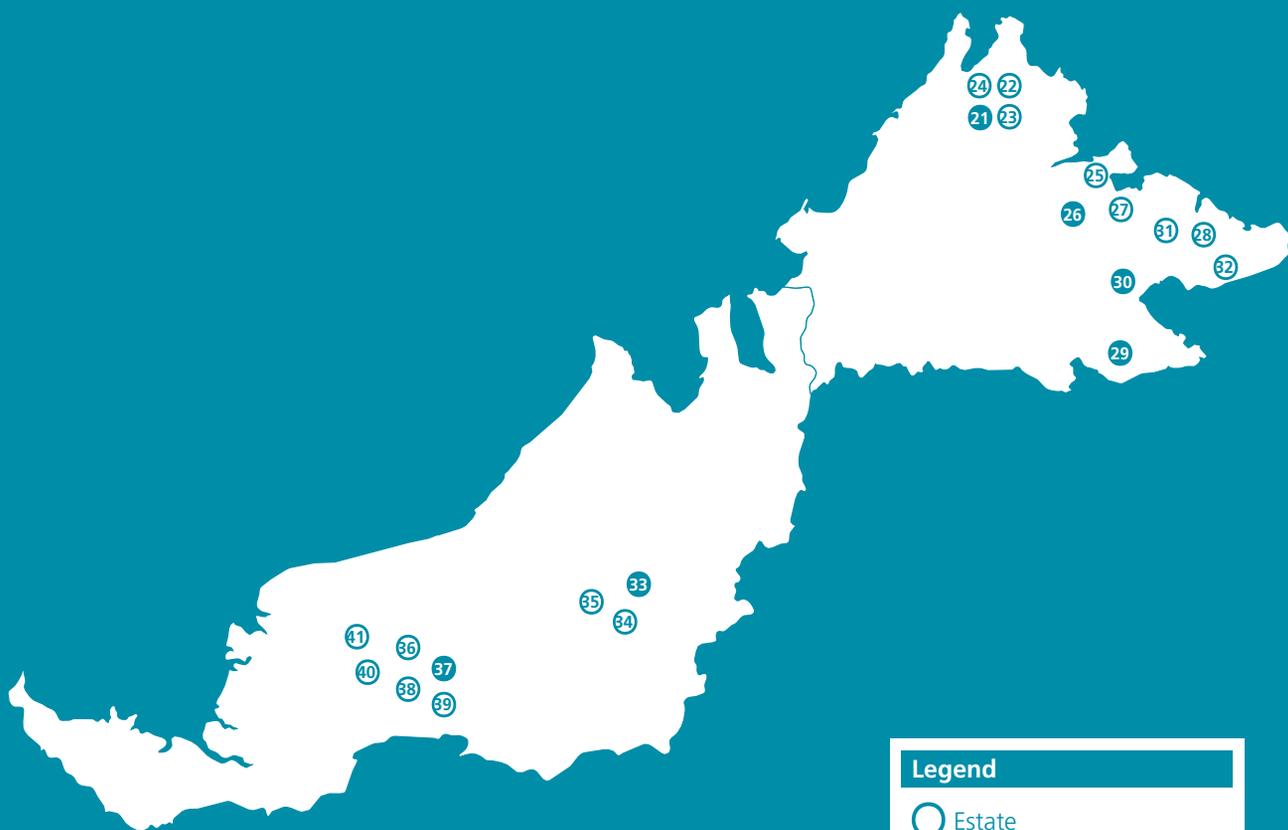
Region	Immature < 3 years	Mature			Total planted
		Young 4 - 9 years	Prime 10 - 20 years	Past Prime > 20 years	
Peninsular Malaysia	3,203	7,385	10,428	5,062	26,078
Sabah	2,519	5,251	12,053	6,624	26,447
Sarawak	320	-	15,955	1,778	18,053
<b>Total hectares</b>	<b>6,042</b>	<b>12,636</b>	<b>38,436</b>	<b>13,464</b>	<b>70,578</b>

# location of group plantations



## Peninsular Malaysia

- |                   |                    |                     |
|-------------------|--------------------|---------------------|
| 1. Batu Pekaka    | 8. Malaya          | 15. Bekoh           |
| 2. Kuala Muda     | 9. Lepan Kabu      | 16. Eldred          |
| 3. Stothard       | 10. Solandra       | 17. Kulai Young     |
| 4. Kedah Oil Palm | 11. LTT-Terengganu | 18. Chamek          |
| 5. Bukit Mertajam | 12. Sungai Jernih  | 19. Boustead Sedili |
| 6. Malakoff       | 13. Bebar          | 20. Telok Sengat    |
| 7. TRP            | 14. Balau          |                     |



**Legend**

- Estate
- Estate with Palm Oil Mill

**Sabah & Sarawak**

- 21. Sungai Sungai 1
- 22. Sungai Sungai 2
- 23. Kawananan
- 24. Lembah Paitan
- 25. Resort
- 26. Nak
- 27. Sutera

- 28. LTT-Sabah
- 29. Segaria
- 30. Sungai Segamaha
- 31. Bukit Segamaha
- 32. G & G
- 33. Loagan Bunut
- 34. Sungai Lelak

- 35. Bukit Limau
- 36. Pedai
- 37. Jih
- 38. Kelimut
- 39. Maong
- 40. Mapai
- 41. Bawan

# shareholding statistics

## AS AT 10 FEBRUARY 2015

Size of shareholdings	No. of holders	%	No. of shares	%
Less than 100	845	6.73	17,140	0.00
100 to 1,000	1,865	14.86	1,181,087	0.11
1,001 to 10,000	7,194	57.33	27,347,542	2.64
10,001 to 100,00	2,342	18.66	64,181,947	6.21
100,001 to less than 5% of issued shares	301	2.40	240,019,428	23.21
5% and above of issued shares	2	0.02	701,430,909	67.83
Total	12,549	100.00	1,034,178,053	100.00

## 30 LARGEST SHAREHOLDERS AS AT 10 FEBRUARY 2015

Name of shareholders	No. of shares	%
1 LEMBAGA TABUNG ANGKATAN TENTERA	609,003,609	58.89
2 KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	92,427,300	8.94
3 CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR AIA BHD.</i>	32,484,084	3.14
4 SCOTIA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN</i>	15,724,250	1.52
5 CHINCHOO INVESTMENT SDN.BERHAD	10,128,164	0.98
6 KEY DEVELOPMENT SDN.BERHAD	9,657,070	0.93
7 GAN TENG SIEW REALTY SDN.BERHAD	8,708,634	0.84
8 CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR CHE LODIN BIN WOK KAMARUDDIN (PBCL-0G0052)</i>	8,000,000	0.77
9 CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND</i>	7,073,498	0.68
10 YONG SIEW YOON	6,244,761	0.60
11 DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>ICAPITAL.BIZ BERHAD</i>	6,197,850	0.60
12 HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (S'HOLDERS NPAR)</i>	5,406,890	0.52
13 HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (LIFE PAR)</i>	4,342,300	0.42
14 CITIGROUP NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)</i>	4,318,755	0.42
15 GEMAS BAHRU ESTATES SDN. BHD.	3,529,480	0.34
16 BIDOR TAHAN ESTATES SDN.BHD.	3,283,300	0.32

### 30 LARGEST SHAREHOLDERS AS AT 10 FEBRUARY 2015 (CONT'D.)

Name of shareholders		No. of shares	%
17	MIKDAVID SDN BHD	3,017,430	0.29
18	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBLDN FOR POHJOLA BANK PLC (CLIENT AC-EUR)</i>	3,000,000	0.29
19	UOB KAY HIAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN PTE LTD ( A/C CLIENTS )</i>	2,641,910	0.26
20	RENGO MALAY ESTATE SENDIRIAN BERHAD	2,473,460	0.24
21	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC</i>	2,328,292	0.23
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MM0197)</i>	2,268,508	0.22
23	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BANK JULIUS BAER &amp; CO. LTD. (SINGAPORE BCH)</i>	2,221,379	0.22
24	CHE LODIN BIN WOK KAMARUDDIN	2,200,000	0.21
25	CHINCHOO HOLDINGS (S) PRIVATE LIMITED	2,034,330	0.20
26	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (UNITLINKED GF)	1,995,900	0.19
27	CIMSEC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)</i>	1,553,362	0.15
28	CIMB COMMERCE TRUSTEE BERHAD <i>PUBLIC FOCUS SELECT FUND</i>	1,379,800	0.13
29	YEOH SAIK KHOO SENDIRIAN BERHAD	1,338,000	0.13
30	CITIGROUP NOMINEES (ASING) SDN BHD <i>UBS AG</i>	1,294,298	0.13
Total		856,276,614	82.80

### SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Lembaga Tabung Angkatan Tentera	609,003,609	58.89	–	–

Class of Shares  
Voting rights

Ordinary shares of RM0.50 each  
1 vote per ordinary shares

# statement of directors' interests

in the company and related corporations as at 10 february 2015

Name of Director	No. of shares	Direct %
Ordinary shares of RM0.50 each		
<b>Boustead Holdings Berhad</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	28,192,758	2.73
Datuk Azzat Kamaludin	44,000	–
<b>Pharmaniaga Berhad</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	220,000	0.08
Tan Sri Dato' Seri Lodin Wok Kamaruddin	12,500,148	4.83
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	121,000	0.05
Datuk Azzat Kamaludin	226,260	0.09
Dato' Ghazali Mohd Ali	143,000	0.06
<b>Boustead Plantations Berhad</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	1,560,000	0.10
Tan Sri Dato' Seri Lodin Wok Kamaruddin	31,381,600	1.96
Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad	1,590,000	0.10
Datuk Azzat Kamaludin	1,538,800	0.10
Dato' Ghazali Mohd Ali	1,234,000	0.08
Datuk Francis Tan Leh Kiah	1,260,000	0.08
Ordinary shares of RM1.00 each		
<b>Boustead Heavy Industries Corporation Berhad</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	0.80
Datuk Azzat Kamaludin	350,000	0.14
Dato' Ghazali Mohd Ali	75,000	0.03
<b>Boustead Petroleum Sdn Bhd</b>		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	5.00
<b>Affin Holdings Berhad</b>		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	119,220	0.01
Tan Sri Dato' Seri Lodin Wok Kamaruddin	1,051,328	0.05
Datuk Azzat Kamaludin	145,000	0.01
Datuk Francis Tan Leh Kiah	30,000	0.00

# dividend policy

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It is the Board's intention to pay dividends to allow shareholders to participate in the profits of Boustead Holdings Berhad. The dividend policy is in line with the Board's intention to adopt a policy of active capital management where the Board endeavours to declare an interim dividend at the end of each quarter of the financial year in order that shareholders may enjoy a distribution on a regular basis. In this regard, the Company's ability to pay dividends would depend upon factors such as business prospects, expansion and growth strategies, capital requirements, cash reserves and other factors the Board may deem relevant.

Under the dividend policy, the Company intends to pay a minimum of 70% of the audited consolidated profit after taxation attributable to shareholders for each financial year after appropriate adjustments for the profit retained by Associated Companies and any unrealised income from fair value adjustments that are non-cash in nature. The dividend policy is effective from the financial year 2011.

As the Company is an investment holding company, its income, and therefore its ability to pay dividends or make distributions to shareholders, is dependent upon the dividends and other distributions from Subsidiaries, Associated Companies and investments which in turn will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective board of directors deem relevant.

The dividend policy reflects the Board's current views on the Group's financial position and the said policy will be reviewed from time to time. In recommending dividends, it is the Board's policy to allow shareholders to participate directly in the Company's profits whilst taking into account the retention of adequate reserves for future growth.

# notice of annual general meeting

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**NOTICE IS HEREBY GIVEN** that the Fifty-Third Annual General Meeting of Boustead Holdings Berhad will be held at The Royale Ballroom, Level 2, The Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Monday, 6 April 2015 at 9.30 a.m. for the purpose of transacting the following business:

## ORDINARY BUSINESS

To receive the audited financial statements for the year ended 31 December 2014 together with the Reports of the Directors and Auditors.

**Resolution 1**

To re-elect Tan Sri Dato' Seri Lodin Wok Kamaruddin who retires by rotation and, being eligible, offers himself for re-election.

**Resolution 2**

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

"THAT pursuant to Section 129(6) of the Companies Act, 1965, Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) be re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting."

**Resolution 3**

"THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad be re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting."

**Resolution 4**

To approve the increase of Directors' fees from RM422,000 to RM542,000 in respect of the year ended 31 December 2014.

**Resolution 5**

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

**Resolution 6**

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## SPECIAL BUSINESS

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

### **Ordinary Resolution – Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965**

**Resolution 7**

“THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

### **Ordinary Resolution – Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions**

**Resolution 8**

“THAT, subject to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its Subsidiaries to enter into all transactions involving the Related Parties as specified in Section 2.3.1 of the Circular to Shareholders dated 13 March 2015 provided that such transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders.

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (AGM), at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- (ii) the expiration of the period within the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders in a General Meeting;

whichever is the earlier.

And further that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate.”

## notice of annual general meeting

### Ordinary Resolution – Proposed Additional Shareholders’ Mandate for Recurrent Related Party Transactions

### Resolution 9

“THAT, subject always to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its Subsidiaries shall be mandated to enter into recurrent transactions of a revenue or trading nature with the Related Party as specified in Section 2.3.2 of the Circular to Shareholders dated 13 March 2015 subject further to the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;
- (ii) disclosure will be made of a breakdown of the aggregate value of transactions conducted pursuant to the Mandate during the financial year based on the following information in the Company’s annual report and in the annual reports for subsequent financial years that the Mandate continues in force:
  - (a) the type of the recurrent related party transactions made; and
  - (b) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company; and
- (iii) that such authority shall continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting (AGM) of the Company following the General Meeting at which the Proposed Shareholders’ Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - (b) the expiration of the period within which the next AGM after this date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in a General Meeting;

whichever is earlier provided that such transactions are made on an arms’ length basis and on normal commercial terms.”

### Ordinary Resolutions – Retention of Independent Directors

“THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to Gen. Tan Sri Dato’ Mohd Ghazali Hj. Che Mat (R), who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2012.”

### Resolution 10

“THAT subject to the passing of Ordinary Resolution 4, approval be and is hereby given to Dato’ Wira (Dr.) Megat Abdul Rahman Megat Ahmad, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance 2012.”

### Resolution 11

To transact any other business of the Company.

By Order of the Board

**TASNEEM MOHD DAHALAN**

Secretary

Kuala Lumpur  
13 March 2015

**Notes**

- (a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint any person to be his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1) of the Companies Act, 1965 shall not apply to the Company.
- (b) In the case of a Corporation, the proxy should be executed under its Common Seal or under the hand of a duly authorised officer.
- (c) A member shall not, subject to Paragraph (d) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- (d) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (e) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
- (f) Only members registered in the Record of Depositors as at 27 March 2015 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

**Explanatory Notes to Special Business**

**(a) Ordinary Resolution 7**

Ordinary resolution 7, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Fifty-Second Annual General Meeting held on 7 April 2014. This current authority will lapse at the conclusion of the Fifty-Third Annual General Meeting.

**(b) Ordinary Resolutions 8 and 9**

Ordinary resolutions 8 and 9, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

**(c) Ordinary Resolutions 10 and 11**

The Board has determined that Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) and Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad are fair and impartial in carrying out their duties to the Company. As Directors, they continue to bring independent and objective judgements to Board deliberations and the decision-making process as a whole. They also possess vast professional experience and bring the right mix of skills to the Board.

# statement accompanying notice of annual general meeting

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## 1. DIRECTORS WHO ARE STANDING FOR RE-APPOINTMENT AND RE-ELECTION

- (a) Director standing for re-election

Tan Sri Dato' Seri Lodin Wok Kamaruddin

- (b) Directors standing for re-appointment under Section 129(6) of the Companies Act, 1965

- (i) Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)  
(ii) Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad

Details of attendance of Board Meetings of Directors seeking re-election and re-appointment are set out on page 84 of the Annual Report.

Profile of the Directors standing for re-election and re-appointment are set out on pages 72 to 75 of the annual report; while details of their interest in securities are set out on pages 102 and 222 of the annual report.

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

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

Date : Monday, 6 April 2015

Time : 9.30 a.m.

Place : The Royale Ballroom, Level 2, The Royale Chulan Damansara, 2 Jalan PJU 7/3 Mutiara Damansara, 47810 Petaling Jaya, Selangor

# proxy form

I/We \_\_\_\_\_ NRIC (New)/Company No.: \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member of **BOUSTEAD HOLDINGS BERHAD**, hereby appoint\* \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No.: \_\_\_\_\_ of \_\_\_\_\_  
(FULL ADDRESS)

and/or \_\_\_\_\_ NRIC (New) No.: \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

of \_\_\_\_\_  
(FULL ADDRESS)

\*or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the Fifty-Third Annual General Meeting of the Company to be held at The Royale Ballroom, Level 2, The Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Monday, 6 April 2015 at 9.30 a.m. or any adjournment thereof, to vote as indicated below:

No.	Resolution	For	Against
1.	Tabling of Directors' Report and Audited Financial Statements		
2.	Re-election of Tan Sri Dato' Seri Lodin Wok Kamaruddin		
3.	Re-appointment of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)		
4.	Re-appointment of Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad		
5.	Increase of Directors' fees		
6.	Re-appointment of Auditors		
7.	Approval for Directors to allot and issue shares		
8.	Renewal of Shareholders' Mandate for recurrent related party transactions		
9.	Additional Shareholders' Mandate for recurrent related party transactions		
10.	Retention of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) as an Independent Director		
11.	Retention of Dato' Wira (Dr.) Megat Abdul Rahman Megat Ahmad as an Independent Director		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

\_\_\_\_\_  
Signature of Member/Common Seal

## Notes

- If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name and address of the person of your choice and initial the insertion at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.
- In the case of a Corporation, the proxy should be executed under its Common Seal or under the hand of a duly authorised officer.
- A member shall not, subject to Paragraph (d) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
- Only members registered in the Record of Depositors as at 27 March 2015 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

No. of ordinary shares held:

CDS Account No.:

Proportion of shareholdings  
to be represented by proxies

First Proxy: \_\_\_\_\_%  
Second Proxy: \_\_\_\_\_%

Contact No.:

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**Share Registrar of Boustead Holdings Berhad**

**Tricor Investor & Issuing House Services Sdn Bhd** (11324-H)

Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur, Malaysia

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