Boustead Holdings Berhad (3871-H)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 30 June 2018	**Current Period**		**Cumulative Period**	
(All figures are stated in RM million)	**2018**	**2017**	**2018**	**2017**
Revenue	**2,373.7**	2,386.2	**4,618.7**	4,761.4
Operating cost	**(2,316.9)**	(2,196.3)	**(4,470.0)**	(4,471.1)
Profit from operations	**56.8**	189.9	**148.7**	290.3
Interest income	**9.3**	10.0	**16.7**	18.7
Other investment results	**0.2**	0.5	**0.3**	0.6
Finance cost	**(63.2)**	(65.5)	**(121.2)**	(128.5)
Share of results of associates	**16.4**	29.4	**49.3**	57.9
Share of results of joint ventures	**0.9**	(14.3)	**(3.1)**	(32.1)
Profit before taxation	**20.4**	150.0	**90.7**	206.9
Taxation	**(21.7)**	(35.6)	**(53.9)**	(66.8)
(Loss)/profit for the period	**(1.3)**	114.4	**36.8**	140.1
(Loss)/profit for the period attributable to:				
Shareholders of the Company	**(27.6)**	52.5	**(21.5)**	48.5
Holders of Perpetual Sukuk	**18.3**	18.3	**36.5**	36.5
Non-controlling interests	**8.0**	43.6	**21.8**	55.1
(Loss)/profit for the period	**(1.3)**	114.4	**36.8**	140.1
(Loss)/Earnings per share - sen				
Basic/diluted	**(1.36)**	2.59	**(1.06)**	2.39

The condensed consolidated income statement should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2017.

Boustead Holdings Berhad (3871-H)

UNAUDITED CONDENSED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

For the quarter ended 30 June 2018	**Current Period**		**Cumulative Period**	
(All figures are stated in RM million)	**2018**	**2017**	**2018**	**2017**
(Loss)/profit for the period	**(1.3)**	114.4	**36.8**	140.1
Other comprehensive income/(loss)				
Items that may be reclassified to profit or loss				
Currency translation difference in respect of foreign operations	**1.9**	(3.9)	**(5.6)**	(4.7)
Net (loss)/gain on available for sale investments				
- fair value changes	**(3.3)**	0.3	**(2.2)**	3.6
Share of OCI of investments accounted for using the equity method	**(12.1)**	12.6	**(13.5)**	19.3
Total comprehensive (loss)/income for the period	**(14.8)**	123.4	**15.5**	158.3
Attributable to:				
Shareholders of the Company	**(42.4)**	63.9	**(40.3)**	69.6
Holders of Perpetual Sukuk	**18.3**	18.3	**36.5**	36.5
Non-controlling interests	**9.3**	41.2	**19.3**	52.2
Total comprehensive (loss)/income for the period	**(14.8)**	123.4	**15.5**	158.3

The unaudited condensed statement of consolidated comprehensive income should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2017.

Boustead Holdings Berhad (3871-H)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018	As at 30 June	As at 31 December	As at 1 January
(All figures are stated in RM million)	**2018**	**2017**	**2017**
ASSETS			
Non current assets			
Property, plant and equipment	**7,350.7**	6,659.3	6,802.8
Investment properties	**1,818.1**	1,804.8	1,641.1
Development properties	**685.7**	643.8	636.6
Prepaid land lease payments	**50.6**	51.7	54.0
Long term prepayment	**200.8**	201.8	183.1
Deferred tax assets	**46.4**	52.5	46.3
Associates	**2,039.5**	2,051.5	1,973.7
Joint ventures	**561.1**	552.4	619.0
Available for sale investments	**29.7**	35.7	32.1
Intangible assets	**1,399.5**	1,391.0	1,435.2
	14,182.1	13,444.5	13,423.9
Current assets			
Biological assets	**16.1**	23.0	30.3
Inventories	**850.3**	743.8	863.9
Property development in progress	**53.2**	38.8	32.6
Due from customers on contracts	**1,131.5**	1,166.6	831.8
Receivables	**2,140.8**	2,247.9	1,617.6
Deposits, cash and bank balance	**812.7**	631.1	1,717.6
Assets classified as held for sale	**14.0**	14.0	60.1
	5,018.6	4,865.2	5,153.9
TOTAL ASSETS	**19,200.7**	18,309.7	18,577.8
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	**2,735.7**	2,735.7	1,013.5
Reserves	**3,307.7**	3,493.0	5,018.7
Shareholders' equity	**6,043.4**	6,228.7	6,032.2
Perpetual Sukuk	**1,207.4**	1,207.7	1,207.7
Non-controlling interests	**1,797.6**	1,853.8	1,681.8
Total equity	**9,048.4**	9,290.2	8,921.7
Non current liabilities			
Borrowings	**1,884.4**	1,456.5	1,440.6
Other payables	**29.7**	35.7	34.8
Deferred tax liabilities	**378.6**	390.4	351.1
	2,292.7	1,882.6	1,826.5
Current liabilities			
Borrowings	**5,328.8**	4,727.4	5,876.1
Trade and other payables	**2,457.0**	2,296.4	1,799.7
Due to customer on contracts	**41.7**	82.1	127.1
Taxation	**32.1**	31.0	26.7
	7,859.6	7,136.9	7,829.6
Total liabilities	**10,152.3**	9,019.5	9,656.1
TOTAL EQUITY AND LIABILITIES	**19,200.7**	18,309.7	18,577.8

The condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2017.

Boustead Holdings Berhad (3871-H)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial period ended 30 June 2018	Attributable to shareholders of the Company									
	Share Capital	*Share Premium	*Revaluation & Fair Value Reserve	*Statutory & Regulatory Reserve	*Other Reserves	Retained Profit	Total	Perpetual Sukuk	Non-Controlling Interests	Total Equity
As at 1 January 2018	**2,735.7**	**-**	**29.3**	**156.6**	**433.1**	**2,874.0**	**6,228.7**	**1,207.7**	**1,853.8**	**9,290.2**
Adjustment arising from adopting MFRS 9	**-**	**-**	**(11.2)**	**(40.0)**	**-**	**7.6**	**(43.6)**	**-**	**-**	**(43.6)**
As at 1 January 2018, restated	**2,735.7**	**-**	**18.1**	**116.6**	**433.1**	**2,881.6**	**6,185.1**	**1,207.7**	**1,853.8**	**9,246.6**
Currency translation difference in respect of foreign operations	**-**	**-**	**-**	**-**	**(3.1)**	**-**	**(3.1)**	**-**	**(2.5)**	**(5.6)**
Net gain on available for sale investments										
- fair value changes	**-**	**-**	**(2.2)**	**-**	**-**	**-**	**(2.2)**	**-**	**-**	**(2.2)**
Share of OCI investments accounted for using equity method	**-**	**-**	**(13.7)**	**-**	**0.2**	**-**	**(13.5)**	**-**	**-**	**(13.5)**
Total other comprehensive income for the period	**-**	**-**	**(15.9)**	**-**	**(2.9)**	**-**	**(18.8)**	**-**	**(2.5)**	**(21.3)**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**(21.5)**	**(21.5)**	**36.5**	**21.8**	**36.8**
Total comprehensive income for the period	**-**	**-**	**(15.9)**	**-**	**(2.9)**	**(21.5)**	**(40.3)**	**36.5**	**19.3**	**15.5**
Transactions with owners										
Perpetual Sukuk										
- Distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(36.8)**	**-**	**(36.8)**
Changes in ownership interests in Subsidiaries										
- Share options granted by a Subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.0**	**3.0**
Transfers during the period										
- Regulatory reserve of an Associate	**-**	**-**	**-**	**28.5**	**-**	**(28.5)**	**-**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**-**	**-**	**(101.4)**	**(101.4)**	**-**	**(78.5)**	**(179.9)**
Balance at 30 June 2018	**2,735.7**	**-**	**2.2**	**145.1**	**430.2**	**2,730.2**	**6,043.4**	**1,207.4**	**1,797.6**	**9,048.4**

Boustead Holdings Berhad (3871-H)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)

For the financial period ended 30 June 2017	Share Capital	*Share Premium	*Revaluation & Fair Value Reserve	*Statutory & Regulatory Reserve	*Other Reserves	Retained Profit	Total	Perpetual Sukuk	Non-Controlling Interests	Total Equity
	Attributable to shareholders of the Company									
As at 1 January 2017	1,013.5	1,722.2	12.7	425.8	439.5	2,418.5	6,032.2	1,207.7	1,681.8	8,921.7
Adjustment for effects of Companies Act (2016) #	1,722.2	(1,722.2)	-	-	-	-	-	-	-	-
Currency translation difference in respect of foreign operations	-	-	-	-	(1.8)	-	(1.8)	-	(2.9)	(4.7)
Net loss on available for sale investments										
- fair value changes	-	-	3.6	-	-	-	3.6	-	-	3.6
Share of OCI investments accounted for using equity method	-	-	20.8	-	(1.5)	-	19.3	-	-	19.3
Total other comprehensive income for the period	-	-	24.4	-	(3.3)	-	21.1	-	(2.9)	18.2
Profit for the period	-	-	-	-	-	48.5	48.5	36.5	55.1	140.1
Total comprehensive income for the period	-	-	24.4	-	(3.3)	48.5	69.6	36.5	52.2	158.3
Transactions with owners										
Perpetual Sukuk										
- Distribution	-	-	-	-	-	-	-	(36.8)	-	(36.8)
Adjustments arising from the finalisation of purchase price allocation on acquisition of a Subsidiary	-	-	-	-	-	-	-	-	0.3	0.3
Changes in ownership interests in Subsidiaries										
- Share options granted by a Subsidiary	-	-	-	-	-	-	-	-	3.9	3.9
Transfers during the period										
- Statutory reserve of an Associate ^	-	-	-	(373.8)	-	373.8	-	-	-	-
- Regulatory reserve of an Associate	-	-	-	64.4	-	(64.4)	-	-	-	-
Dividends	-	-	-	-	-	(121.6)	(121.6)	-	(66.1)	(187.7)
Balance at 30 June 2017	2,735.7	-	37.1	116.4	436.2	2,654.8	5,980.2	1,207.4	1,672.1	8,859.7

NOTES

* Denotes non distributable reserves.

With the Companies Act 2016 (New Act) coming into effect on 31 January 2017, the credit standing in the share premium account of RM1.722 billion has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Company may exercise its right to use the credit amounts being transferred from share premium within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

^ Pursuant to Revised Policy Documents on Capital Funds and Capital Funds for Islamic Banks issued by Bank Negara Malaysia on 3 May 2017, the banking subsidiaries of an associate no longer require to maintain the Statutory Reserve. Hence, during the period, the entire balance of Statutory Reserve of RM1,806.7 million, of which our share is RM373.8 million, was transferred to Retained Profit.

All figures are stated in RM million. The condensed consolidated statements of changes in equity should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2017.

Boustead Holdings Berhad (3871-H)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the quarter ended 30 June 2018

(All figures are stated in RM million)	2018	2017
Operating activities		
Receipts from customers	**4,934.0**	4,741.9
Cash paid to suppliers and employees	**(4,445.1)**	(4,494.2)
	488.9	247.7
Income taxes paid less refund	**(80.6)**	(64.4)
Net cash from operating activities	**408.3**	183.3
Investing activities		
Biological assets and property, plant & equipment purchased	**(774.8)**	(103.5)
Purchase and development of investment property & development property	**(52.5)**	(41.2)
Contribution to a joint venture's capital expenditure	**(65.6)**	(39.6)
Purchase of intangible assets	**(26.3)**	(16.1)
Disposal of property plant & equipment and biological assets	**9.9**	-
Acquisition of a joint venture	**(11.1)**	-
Deposit received on disposal of land	**9.5**	43.4
Others	**16.6**	39.4
Net cash used in investing activities	**(894.3)**	(117.6)
Financing activities		
Transactions with owners	**(101.4)**	(121.6)
Transactions with holders of Perpetual Sukuk	**(36.8)**	(36.8)
New loans	**686.1**	23.8
Loans repayment	**(859.4)**	(459.7)
Other borrowings	**1,205.4**	142.7
Interest paid	**(151.2)**	(181.4)
Dividends paid to non-controlling interests	**(78.5)**	(66.1)
Net cash from/(used in) financing activities	**664.2**	(699.1)
Net increase/(decrease) in cash and cash equivalent	**178.2**	(633.4)
Foreign currency translation difference	**(0.9)**	(0.5)
Cash and cash equivalent at beginning of period	**592.0**	1,692.9
Cash and cash equivalent at end of period	**769.3**	1,059.0
Analysis of cash and cash equivalents		
Deposits, cash and bank balances	**812.7**	1,100.0
Overdrafts	**(43.4)**	(41.0)
Cash and cash equivalent at end of period	**769.3**	1,059.0

The Condensed Consolidated Cash Flow Statement is unaudited, and should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2017.

Boustead Holdings Berhad (3871-H)

Notes to the interim financial report for the quarter ended 30 June 2018

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2017. All figures are stated in RM million, unless otherwise stated.

2. Accounting Policies

2.1 First-time adoption of Malaysian Financial Reporting Standards (MFRS)

For the periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRS). These condensed consolidated interim financial statements, for the period ended 30 June 2018, are the Group’s second MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial financial statements for the year ending 31 December 2018. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied.

The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2017 (which is also the date of transition), the Group had adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position, financial performance and cash flows is set out in the Note 2.2 below. These notes include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

2.2 Significant accounting policies

The audited financial statements of the Group for the year ended 31 December 2017 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2017 except as discussed below:

(a) Business combinations

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

(i) The classification of former business combinations under FRS is maintained;

(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and

(iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Standards IAS 16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Group had recorded certain freehold land and buildings at revalued amounts but had not adopted a policy of revaluation and continued to carry those land and buildings on the basis of their previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment upon the cost model under MFRS 116 Property, Plant and Equipment. This included bearer plants (previously termed as biological assets). Previously, the expenditure on new planting and replanting of a different produce crop incurred up to the time of maturiry is capitalised as biological assets and were not amortised. Replanting expenditures incurred in respect of the same crop was charged to profit or loss in the year in which it is incurred.

2. Accounting Policies (cont'd.)

2.2 Significant accounting policies (cont'd.)

(b) Property, plant and equipment (cont'd.)

At the date of transition to MFRS, the Group:

(i) elected to regard the revalued amounts of land and buildings as at 1 July 1997 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM41.6 million (30 June 2017: RM41.6 million; 31 December 2017: RM41.6 million) was transferred to retained earnings on date of transition to MFRS;

(ii) elected to regard the fair value of certain freehold land and leasehold land at date of transition as its deemed cost at that date. As at the date, the carrying amount of property, plant and equipment (including bearer plants) increased by RM616.0 million (30 June 2017: RM592.2 million; 31 December 2017: RM579.1 million) with corresponding increase in deferred tax liabilities of RM219.4 million (30 June 2017: RM220.9 million; 31 December 2017: RM224.7 million) and corresponding increase in non-controlling interest of RM62.7 million (30 June 2017: RM52.9 million; 31 December 2017: RM44.0 million). The resulting adjustments were recognised against retained earnings. Accordingly, depreciation net of replanting expenditure increased by RM23.8 million (6MFY17) and RM36.9 million (FYE2017) and income tax expense increased by RM1.5 million (6MFY17) and RM5.3 million (FYE2017).

The remaining bearer plants were stated at cost less accumulated depreciation and accumulated impairment losses.

(c) Biological assets

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141 Agriculture Bearer Plants, biological assets which form part of the bearer plants were not recognised separately. With the adoption of the Amendments to MFRS 116 and MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets were recognised in profit or loss during the financial year.

As at the date of transition, a sum of RM30.3 million (30 June 2017: RM27.7 million; 31 December 2017: RM23.0 million) was recognised in biological assets with corresponding increase in deferred tax liabilities of RM6.1 million (30 June 2017: RM6.0 million; 31 December 2017: RM4.9 million) and corresponding increase in non-controlling interest of RM12.2 million (30 June 2017: RM9.2 million; 31 December 2017: RM8.7 million). The resulting adjustments were recognised against retained earnings. Accordingly, decrease in fair value of RM2.7 million (6MFY17) and RM7.4 million (FYE2017) and income tax credit of RM0.2 million (6MFY17) and RM1.2 million (FYE2017) were recognised in statement of profit or loss.

(d) Revenue

MFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted MFRS 15 using the full retrospective method of adoption. The adoption of MFRS 15 affects disclosures of the Group’s condensed interim financial statements but has had no significant impact on the Group’s financial position of performance.

As required for the condensed interim financial statements, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to Note 8 for the disclosure on disaggregated revenue.

(e) Financial instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has adopted MFRS 9 on 1 January 2018. Retrospective application is required, but comparative information is not compulsory.

(i) Classification and measurement

There were no significant impact on the Group’s financial position in applying the classification and measurement requirements of MFRS 9.

(ii) Impairment

The Group has applied the simplified approach and record lifetime expected losses on its trade receivables and there were no significant impact on the Group’s financial performance and position.

(iii) Other adjustments

Upon adoption of MFRS 9, other items of the primary financial statements such as investments in the associates (arising from the financial instruments held by these entities), non-distributable reserves and retained earnings were adjusted as necessary. The adjustments mainly arising from share of decrease in net assets of an associate, Affin Bank Berhad which resulted from the adoption of MFRS 9. The effect arising from this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2018. Comparatives are not restated.

As at the date of transition, a decrease of RM43.6 million was recognised in investment in associates. The resulting adjustments were recognised against retained earnings of RM7.6 million and non-distributable reserves of RM51.2 million.

(f) Estimates

The estimates at 1 January 2018 and at 31 December 2017 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with FRS to present these amounts in accordance with MFRS reflect conditions at 1 January 2017, the date of transition to MFRS and as of 31 December 2017.

The reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition under FRS to those reported for those periods and as at the date of transition under MFRS are provided in page 3 to page 7.

2. Accounting policies (cont'd.)

2.2 Significant accounting policies (cont'd.)

(i) Reconciliation of equity as at 1 January 2017

As at 1 January 2017	FRS as at 1 January 2017	Note 2.2 (b) (i)	Note 2.2 (b) (ii) and Note 2.2 (c)	MFRS as at 1 January 2017
(All figures are stated in RM million)				
ASSETS				
Non current assets				
Property, plant and equipment	**4,938.2**	-	1,864.6	**6,802.8**
Biological assets	**1,248.6**	-	(1,248.6)	-
Investment properties	**1,641.1**	-	-	**1,641.1**
Development properties	**636.6**	-	-	**636.6**
Prepaid land lease payments	**54.0**	-	-	**54.0**
Long term prepayment	**183.1**	-	-	**183.1**
Deferred tax assets	**46.3**	-	-	**46.3**
Associates	**1,973.7**	-	-	**1,973.7**
Joint ventures	**619.0**	-	-	**619.0**
Available for sale investments	**32.1**	-	-	**32.1**
Intangible assets	**1,435.2**	-	-	**1,435.2**
	12,807.9	-	616.0	**13,423.9**
Current assets				
Biological assets	-	-	30.3	**30.3**
Inventories	**863.9**	-	-	**863.9**
Property development in progress	**32.6**	-	-	**32.6**
Due from customers on contracts	**831.8**	-	-	**831.8**
Receivables	**1,617.6**	-	-	**1,617.6**
Deposits, cash and bank balance	**1,717.6**	-	-	**1,717.6**
Assets classified as held for sale	**60.1**	-	-	**60.1**
	5,123.6	-	30.3	**5,153.9**
TOTAL ASSETS	**17,931.5**	-	646.3	**18,577.8**
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	**1,013.5**	-	-	**1,013.5**
Reserves				
- Share Permium	**1,722.2**	-	-	**1,722.2**
- Revaluation and fair value reserve	**54.3**	(41.6)	-	**12.7**
- Regulatory reserve	**425.8**	-	-	**425.8**
- Other reserve	**439.5**	-	-	**439.5**
- Retained profit	**2,031.0**	41.6	345.9	**2,418.5**
Shareholders' equity	**5,686.3**	-	345.9	**6,032.2**
Perpetual Sukuk	**1,207.7**	-	-	**1,207.7**
Non-controlling interests	**1,606.9**	-	74.9	**1,681.8**
Total equity	**8,500.9**	-	420.8	**8,921.7**
Non current liabilities				
Borrowings	**1,440.6**	-	-	**1,440.6**
Other payables	**34.8**	-	-	**34.8**
Deferred tax liabilities	**125.6**	-	225.5	**351.1**
	1,601.0	-	225.5	**1,826.5**
Current liabilities				
Borrowings	**5,876.1**	-	-	**5,876.1**
Trade and other payables	**1,799.7**	-	-	**1,799.7**
Due to customer on contracts	**127.1**	-	-	**127.1**
Taxation	**26.7**	-	-	**26.7**
	7,829.6	-	-	**7,829.6**
Total liabilities	**9,430.6**	-	225.5	**9,656.1**
TOTAL EQUITY AND LIABILITIES	**17,931.5**	-	646.3	**18,577.8**

2. Accounting policies (cont'd.)

2.2 Significant accounting policies (cont'd.)

(ii) Reconciliation of equity as at 30 June 2017

As at 30 June 2017	FRS as at 30 June	Note 2.2 (b) (i)	Note 2.2 (b) (ii) and Note 2.2 (c)	MFRS as at 30 June
(All figures are stated in RM million)	**2017**			**2017**
ASSETS				
Non current assets				
Property, plant and equipment	**4,911.1**	**-**	1,840.8	**6,751.9**
Biological assets	**1,248.6**	**-**	(1,248.6)	**-**
Investment properties	**1,673.5**	**-**	-	**1,673.5**
Development properties	**663.2**	**-**	-	**663.2**
Prepaid land lease payments	**52.9**	**-**	-	**52.9**
Long term prepayment	**192.8**	**-**	-	**192.8**
Deferred tax assets	**51.3**	**-**	-	**51.3**
Associates	**2,031.5**	**-**	-	**2,031.5**
Joint ventures	**587.1**	**-**	-	**587.1**
Available for sale investments	**35.8**	**-**	-	**35.8**
Intangible assets	**1,435.9**	**-**	-	**1,435.9**
	12,883.7	**-**	592.2	**13,475.9**
Current assets				
Biological assets	**-**	**-**	27.7	**27.7**
Inventories	**757.5**	**-**	-	**757.5**
Property development in progress	**10.7**	**-**	-	**10.7**
Due from customers on contracts	**1,098.8**	**-**	-	**1,098.8**
Receivables	**1,723.0**	**-**	-	**1,723.0**
Deposits, cash and bank balance	**1,100.0**	**-**	-	**1,100.0**
Assets classified as held for sale	**60.1**	**-**	-	**60.1**
	4,750.1	**-**	27.7	**4,777.8**
TOTAL ASSETS	**17,633.8**	**-**	619.9	**18,253.7**
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	**2,735.7**	**-**	-	**2,735.7**
Reserves				
- Revaluation and fair value reserve	**78.7**	(41.6)	-	**37.1**
- Regulatory reserve	**116.4**	-	-	**116.4**
- Other reserve	**436.2**	-	-	**436.2**
- Retained profit	**2,282.3**	41.6	330.9	**2,654.8**
Shareholders' equity	**5,649.3**	**-**	330.9	**5,980.2**
Perpetual Sukuk	**1,207.4**	**-**	-	**1,207.4**
Non-controlling interests	**1,610.0**	**-**	62.1	**1,672.1**
Total equity	**8,466.7**	-	393.0	**8,859.7**
Non current liabilities				
Borrowings	**699.1**	**-**	-	**699.1**
Other payables	**33.9**	**-**	-	**33.9**
Deferred tax liabilities	**140.4**	**-**	226.9	**367.3**
	873.4	-	226.9	**1,100.3**
Current liabilities				
Borrowings	**6,332.5**	**-**	-	**6,332.5**
Trade and other payables	**1,838.3**	**-**	-	**1,838.3**
Due to customer on contracts	**78.2**	**-**	-	**78.2**
Taxation	**44.7**	**-**	-	**44.7**
	8,293.7	-	-	**8,293.7**
Total liabilities	**9,167.1**	-	226.9	**9,394.0**
TOTAL EQUITY AND LIABILITIES	**17,633.8**	-	619.9	**18,253.7**

2. Accounting policies (cont'd.)

2.2 Significant accounting policies (cont'd.)

(iii) Reconciliation of equity as at 31 December 2017

As at 31 December 2017	FRS As at 31 December	Note 2.2 (b) (i)	Note 2.2 (b) (ii) and Note 2.2 (c)	MFRS As at 31 December
(All figures are stated in RM million)	**2017**			**2017**
ASSETS				
Non current assets				
Property, plant and equipment	**4,845.3**	-	1,814.0	**6,659.3**
Biological assets	**1,234.9**	-	(1,234.9)	**-**
Investment properties	**1,804.8**	-	-	**1,804.8**
Development properties	**643.8**	-	-	**643.8**
Prepaid land lease payments	**51.7**	-	-	**51.7**
Long term prepayment	**201.8**	-	-	**201.8**
Deferred tax assets	**52.5**	-	-	**52.5**
Associates	**2,051.5**	-	-	**2,051.5**
Joint ventures	**552.4**	-	-	**552.4**
Available for sale investments	**35.7**	-	-	**35.7**
Intangible assets	**1,391.0**	-	-	**1,391.0**
	12,865.4	-	579.1	**13,444.5**
Current assets				
Biological assets	**-**	-	23.0	**23.0**
Inventories	**743.8**	-	-	**743.8**
Property development in progress	**38.8**	-	-	**38.8**
Due from customers on contracts	**1,166.6**	-	-	**1,166.6**
Receivables	**2,247.9**	-	-	**2,247.9**
Deposits, cash and bank balance	**631.1**	-	-	**631.1**
Assets classified as held for sale	**14.0**	-	-	**14.0**
	4,842.2	-	23.0	**4,865.2**
TOTAL ASSETS	**17,707.6**	-	602.1	**18,309.7**
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	**2,735.7**	-	-	**2,735.7**
Reserves				
- Revaluation and fair value reserve	**70.9**	(41.6)	-	**29.3**
- Regulatory reserve	**156.6**	-	-	**156.6**
- Other reserve	**433.1**	-	-	**433.1**
- Retained profit	**2,512.6**	41.6	319.8	**2,874.0**
Shareholders' equity	**5,908.9**	-	319.8	**6,228.7**
Perpetual Sukuk	**1,207.7**	-	-	**1,207.7**
Non-controlling interests	**1,801.1**	-	52.7	**1,853.8**
Total equity	**8,917.7**	-	372.5	**9,290.2**
Non current liabilities				
Borrowings	**1,456.5**	-	-	**1,456.5**
Other payables	**35.7**	-	-	**35.7**
Deferred tax liabilities	**160.8**	-	229.6	**390.4**
	1,653.0	-	229.6	**1,882.6**
Current liabilities				
Borrowings	**4,727.4**	-	-	**4,727.4**
Trade and other payables	**2,296.4**	-	-	**2,296.4**
Due to customer on contracts	**82.1**	-	-	**82.1**
Taxation	**31.0**	-	-	**31.0**
	7,136.9	-	-	**7,136.9**
Total liabilities	**8,789.9**	-	229.6	**9,019.5**
TOTAL EQUITY AND LIABILITIES	**17,707.6**	-	602.1	**18,309.7**

2. Accounting policies (cont'd.)

2.2 Significant accounting policies (cont'd.)

(iv) Reconciliation of total comprehensive income for the period ended 30 June 2017

	FRS 30 June 2017	Note 2.2 (b) (ii) and Note 2.2 (c)	MFRS 30 June 2017
(All figures are stated in RM million)			
Revenue	**4,761.4**	-	**4,761.4**
Operating cost	**(4,444.6)**	(26.5)	(4,471.1)
Profit from operations	**316.8**	(26.5)	**290.3**
Interest income	**18.7**	-	18.7
Other investment results	**0.6**	-	0.6
Finance cost	**(128.5)**	-	(128.5)
Share of results of associates	**57.9**	-	57.9
Share of results of joint ventures	**(32.1)**	-	(32.1)
Profit before taxation	**233.4**	(26.5)	**206.9**
Taxation	**(65.5)**	(1.3)	(66.8)
Profit for the period	**167.9**	(27.8)	**140.1**
Other compehensive Income			
Currency translation difference in respect of foreign operations	**(4.7)**	-	**(4.7)**
Net gain on available for sale investments			
- fair value changes	**3.6**	-	**3.6**
Share of OCI of investments accounted for using the equity method	**19.3**	-	**19.3**
Total comprehensive income for the period	**186.1**	**(27.8)**	**158.3**
Profit for the year attributable to:-			
Shareholders of the Company	**63.5**	(15.0)	**48.5**
Holders of Perpetual Sukuk	**36.5**	-	**36.5**
Non-controlling interests	**67.9**	(12.8)	**55.1**
Profit for the year	**167.9**	(27.8)	**140.1**
Total comprehensive income attributable to:			
Shareholders of the Company	**84.6**	(15.0)	**69.6**
Holders of Perpetual Sukuk	**36.5**	-	**36.5**
Non-controlling interests	**65.0**	(12.8)	**52.2**
Total comprehensive income for the period	**186.1**	(27.8)	**158.3**

2. Accounting policies (cont'd.)

2.2 Significant accounting policies (cont'd.)

(v) Reconciliation of total comprehensive income for the year ended 31 December 2017

	FRS 31 December 2017	Note 2.2 (b) (ii) and Note 2.2 (c)	MFRS 31 December 2017
(All figures are stated in RM million)			
Revenue	**10,020.1**	-	**10,020.1**
Operating cost	**(9,295.9)**	(44.3)	(9,340.2)
Profit from operations	**724.2**	(44.3)	**679.9**
Gain on disposal of plantation land	**554.9**	-	554.9
Interest income	**41.8**	-	41.8
Other investment results	**6.4**	-	6.4
Finance cost	**(254.4)**	-	(254.4)
Share of results of associates	**112.0**	-	112.0
Share of results of joint ventures	**(67.9)**	-	(67.9)
Profit before taxation	**1,117.0**	(44.3)	**1,072.7**
Taxation	**(193.7)**	(4.1)	(197.8)
Profit for the period	**923.3**	(48.4)	**874.9**
Other compehensive Income			
Currency translation difference in respect of foreign operations	**(17.1)**	-	**(17.1)**
Net gain on available for sale investments			
- fair value changes	**4.4**	-	**4.4**
- transfer to profit or loss on disposal	**0.1**	-	**0.1**
Share of OCI of investments accounted for using the equity method	**12.6**	-	**12.6**
Total comprehensive income for the period	**923.3**	**(48.4)**	**874.9**
Profit for the year attributable to:-			
Shareholders of the Company	**462.0**	(26.2)	**435.8**
Holders of Perpetual Sukuk	**73.7**	-	**73.7**
Non-controlling interests	**387.6**	(22.2)	**365.4**
Profit for the year	**923.3**	(48.4)	**874.9**
Total comprehensive income attributable to:			
Shareholders of the Company	**472.2**	(26.2)	**446.0**
Holders of Perpetual Sukuk	**73.7**	-	**73.7**
Non-controlling interests	**377.4**	(22.2)	**355.2**
Total comprehensive income for the period	**923.3**	(48.4)	**874.9**

2. Accounting Policies (cont'd.)

2.3 Standards Issued but not yet Effective

The Group has not early adopted the following MFRS that are not yet effective:

	Effective Date
• Amendments to MFRS 3 - Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
• Amendments to MFRS 9 - Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 10 and MFRS128 - Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture	Deferred
• Amendments to MFRS 11 - Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
• MFRS 16 - Leases	1 January 2019
• MFRS 17 - Insurance Contracts	1 January 2021
• Amendments to MFRS 112 - Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
• Amendments to MFRS 119 - Plan Amendment, Curtailment or Settlement	1 January 2019
• Amendments to MFRS 123 - Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
• Amendments to MFRS 128 - Long-term interests in Associates and Joint Ventures	1 January 2019

Except for the MFRS 16 Leases which is effective for annual period beginning on or after 1 January 2019 discussed below, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

<u>MFRS 16 Leases</u>

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The standard will affect primarily the accounting for the Group’s operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RM31.1 million. However, the Group has not assessed if there are any adjustments which are necessary because of the different treatment of extension or termination options. It is therefore not practicable at this juncture to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of MFRS 16 and how this may affect the Group’s profit or loss and classification of cash flows going forward.

3. Auditors' Report on Preceding Annual Financial Statements

The audit report of the preceding audited financial statements was not qualified.

4. Comments about Seasonal or Cyclical Factors

Plantation's result is influenced by both CPO prices and FFB crop production. The cropping pattern for oil palm is influenced by weather conditions. FFB production normally starts with a trough and thereafter increases gradually to reach a peak during the second half year.

5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows.

6. Change in Estimates

Other than as disclosed in the audited financial statement for year ended 31 December 2017, there were no other material changes in estimates of amounts reported in the prior interim periods of the current financial year or the previous financial year.

7. Dividends

(i) On 29 March 2018, the Company paid 4th interim dividend of 2.5 sen (2016: 3.5 sen) per share in respect of the previous financial year ended 31 December 2017 amounting to RM50.7 million (2016: RM70.9 million).

(ii) On 4 July 2018, the Company paid 1st interim dividend of 2.5 sen (2017: 2.5 sen) per share in respect of the financial year ended 31 December 2018 amounting to RM50.7 million (2017: RM50.7 million).

For the current quarter, the Directors have declared a 2nd interim dividend of 1.0 sen (2017: 3.0 sen) per share in respect of the financial year ending 31 December 2018. The dividend will be paid on 5 October 2018 to shareholders registered in the Register of Members at the close of business on 21 September 2018.

8. Segmental Information

Segment information for the cumulative period is presented in respect of the Group's business segments as follows:

RM million	Plantation	Heavy Industries	Property	Finance & Investment	Pharma-ceutical	Trading & Industrial	Elim'n	Total
2018								
Revenue								
Group total sales	296.4	340.8	247.0	100.2	1,200.7	2,444.7	(11.1)	4,618.7
Inter-segment sales	-	-	(11.1)	-	-	-	11.1	-
External sales	296.4	340.8	235.9	100.2	1,200.7	2,444.7	-	4,618.7
Result								
Segment result								
- external	(10.8)	0.1	19.3	6.9	52.1	81.1	-	148.7
Finance cost	(10.1)	(40.0)	(35.6)	(60.8)	(20.5)	(9.1)	54.9	(121.2)
Interest income	0.9	1.3	9.4	58.5	0.3	1.2	(54.9)	16.7
Other investment result	-	-	-	-	-	0.3	-	0.3
Share of result of associates	1.6	-	(1.7)	48.8	-	0.6	-	49.3
Share of result of joint ventures	-	9.1	(10.1)	(2.1)	-	-	-	(3.1)
Profit/(loss) before taxation	(18.4)	(29.5)	(18.7)	51.3	31.9	74.1	-	90.7
Taxation								(53.9)
Profit after taxation								36.8
Other Information								
Depreciation and amortisation	(62.3)	(26.7)	(11.2)	(10.6)	(26.1)	(36.5)	-	(173.4)
Profit on disposal								
- Other assets	-	-	-	-	-	2.9	-	2.9
Other non-cash income/(expenses)*	0.1	9.2	(6.0)	(1.0)	(10.2)	(3.3)	-	(11.2)
Breakdown of Revenue								
Sale of produce	296.4	-	-	-	-	-	-	296.4
Sale of petroleum products	-	-	-	-	-	2,269.1	-	2,269.1
Sale of pharmaceutical products	-	-	-	-	1,200.7	-	-	1,200.7
Shipbuilding and repair	-	338.3	-	-	-	-	-	338.3
Sale of development properties	-	-	108.4	-	-	-	-	108.4
Hotel operations	-	-	70.9	-	-	-	-	70.9
Others	-	0.8	-	99.6	-	172.0	-	272.4
Revenue from contracts with customers	296.4	339.1	179.3	99.6	1,200.7	2,441.1	-	4,556.2
Rental income	-	1.7	56.6	0.6	-	3.6	-	62.5
Total revenue	296.4	340.8	235.9	100.2	1,200.7	2,444.7	-	4,618.7
Timing of Revenue Recognition								
Goods/services transferred:								
- At a point in time	296.4	4.6	127.6	100.2	1,171.8	2,440.7	-	4,141.3
- Over time	-	336.2	108.3	-	28.9	4.0	-	477.4
	296.4	340.8	235.9	100.2	1,200.7	2,444.7	-	4,618.7

8. Segmental Information (Cont'd.)

RM million	Plantation	Heavy Industries	Property	Finance & Investment	Pharma-ceutical	Trading & Industrial	Elim'n	Total
2017								
Revenue								
Group total sales	358.5	725.3	280.0	97.1	1,136.3	2,172.0	(7.8)	4,761.4
Inter-segment sales	-	-	(7.8)	-	-	-	7.8	-
External sales	358.5	725.3	272.2	97.1	1,136.3	2,172.0	-	4,761.4
Result								
Segment result								
- external	68.7	80.5	39.4	1.4	46.2	54.1	-	290.3
Finance cost	(18.0)	(44.7)	(38.5)	(43.9)	(17.7)	(8.3)	42.6	(128.5)
Interest income	6.7	2.4	7.1	44.6	0.2	0.3	(42.6)	18.7
Other investment result	-	-	-	0.1	-	0.5	-	0.6
Share of result of associates	2.0	-	(2.2)	57.3	-	0.8	-	57.9
Share of result of joint ventures	-	7.7	(20.8)	(19.0)	-	-	-	(32.1)
Profit/(loss) before taxation	59.4	45.9	(15.0)	40.5	28.7	47.4	-	206.9
Taxation								(66.8)
Profit after taxation								140.1
Other Information								
Depreciation and amortisation	(59.1)	(46.0)	(10.7)	(10.1)	(27.7)	(33.2)	-	(186.8)
Profit on disposal								
Other assets	-	-	-	-	-	0.9	-	0.9
Other non-cash (expenses)/income*	2.5	(4.1)	-	(1.3)	(3.6)	(9.5)	-	(16.0)
Breakdown of Revenue								
Sale of produce	358.5	-	-	-	-	-	-	358.5
Sale of petroleum products	-	-	-	-	-	1,981.8	-	1,981.8
Sale of pharmaceutical products	-	-	-	-	1,136.3	-	-	1,136.3
Shipbuilding and repair	-	628.8	-	-	-	-	-	628.8
Sale of development properties	-	-	137.6	-	-	-	-	137.6
Hotel operations	-	-	75.1	-	-	-	-	75.1
Others	-	94.9	-	96.7	-	186.8	-	378.4
Revenue from contracts with customers	358.5	723.7	212.7	96.7	1,136.3	2,168.6	-	4,696.5
Rental income	-	1.6	59.5	0.4	-	3.4	-	64.9
Total revenue	358.5	725.3	272.2	97.1	1,136.3	2,172.0	-	4,761.4
Timing of Revenue Recognition								
Goods/services transferred:								
- At a point in time	358.5	53.0	134.6	97.1	1,124.2	2,154.4	-	3,921.8
- Over time	-	672.3	137.6	-	12.1	17.6	-	839.6
	358.5	725.3	272.2	97.1	1,136.3	2,172.0	-	4,761.4

* Other non-cash income/expenses exclude profit/loss on disposal of plantation land, Associate and other assets and depreciation and amortisation

The segment information based on geographical segment is not presented as the Group operates predominantly in Malaysia

9. Debts and Equity Securities

(i) During the period, the Group redeemed RM550.0 million of Assets-backed bonds.

(ii) During the current quarter, the Company issued RM150 million of Islamic Medium Term Notes (IMTN) under the RM2.0 billion Sukuk Programme. The maturity of the tranche issued is for 3 years, at a profit rate of 5.7% per annum.

There were no other issuances and repayment of debt and equity securities, share buybacks, share cancellations, shares held as treasury shares and resale of treasury shares in the current financial period.

10. Carrying Amount of Revalued Assets

There has been no revaluation of property, plant and equipment during the current financial period.

11. Subsequent Events

There were no other subsequent events as at 27 August 2018 that will materially affect the financial statements of the financial period under review.

12. Changes in Group Composition

During the period, Airbus Helicopters Malaysia Sdn Bhd became the Group's joint venture through BHIC Defence Technologies Sdn Bhd, a wholly-owned subsidiary of Boustead Heavy Industries Corporation Berhad.

There were no other changes in the composition of the Group during the period under review.

13. Changes in Contingent Liabilities and Contingent Assets

The status of the contingent liability as disclosed in the FY2017 annual financial statements remains unchanged as at 27 August 2018. No other contingent liability has arisen since the financial year end.

14. Commitments

The Group has the following commitments as at 30 June 2018:

	Authorised but not contracted RM million	**Authorised and contracted RM million**
Capital expenditure	470.3	136.4
Acquisition of plantation land	-	389.4
Share of joint venture's capital commitment	-	25.0
	470.3	550.8

15. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2017.

16. Intangible Assets

RM' million	**Goodwill**	**Concession right**	**Pharmacy manufacturing licence, patents &intellectual properties**	**Rights to supply**	**Total**
Cost					
At 1 January 2018	1,226.7	75.0	24.4	259.0	1,585.1
Additions	-	-	-	26.3	26.3
Foreign exchange fluctuation	(3.0)	-	(1.1)	-	(4.1)
At 30 June 2018	1,223.7	75.0	23.3	285.3	1,607.3
Accumulated amortisation and impairment					
At 1 January 2018	49.8	58.6	8.7	77.0	194.1
Amortisation	-	4.3	1.2	9.1	14.6
Foreign exchange fluctuation	-	-	(0.9)	-	(0.9)
At 30 June 2018	49.8	62.9	9.0	86.1	207.8
Net carrying amount					
At 30 June 2018	1,173.9	12.1	14.3	199.2	1,399.5
At 31 December 2017	1,176.9	16.4	15.7	182.0	1,391.0

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia

17. Performance Review

For the quarter ended 30 June 2018	**Current Period**		**+/(-)**	**Cumulative Period**		**+/(-)**
(All figures are stated in RM million)	**2018**	**2017**	**%**	**2018**	**2017**	**%**
Revenue	2,373.7	2,386.2	-1%	4,618.7	4,761.4	-3%
Profit from operations	56.8	189.9	-70%	148.7	290.3	-49%
Profit before interest and taxation	74.3	205.5	-64%	195.2	316.7	-38%
Profit before taxation	20.4	150.0	-86%	90.7	206.9	-56%
(Loss)/Profit for the period	(1.3)	114.4	-101%	36.8	140.1	-74%
(Loss)/Profit attributable to shareholders of the Company	(27.6)	52.5	-153%	(21.5)	48.5	-144%

For the 2nd quarter ended 30 June 2018 (2QFY18), the Group registered a lower profit before tax (PBT) of RM20.4 million compared with RM150.0 million in last year's corresponding quarter (2QFY17). This was mainly due to reduced contributions from the Plantation, Heavy Industries and Property Divisions. After-tax loss stood at RM1.3 million (2QFY17: after-tax profit of RM114.4 million) while net loss after allocation to non-controlling interests and perpetual sukuk holders stood at RM27.6 million (2QFY17: net profit of RM52.5 million).

For the half-year period ended 30 June 2018 (6MFY18), the Group registered a lower PBT of RM90.7 million compared with RM206.9 million in last year's corresponding period (6MFY17). This was due to weaker contributions from the Plantation, Property and Heavy Industries Divisions. Cumulative profit after tax stood at RM36.8 million (6MFY17: RM140.1 million). After taking into account the allocation to non-controlling interests and perpetual sukuk holders, the Group incurred a net loss of RM21.5 million compared with a net profit of RM48.5 million in the previous year's corresponding period.

For 6MFY18, the Group recorded a revenue of RM4.6 billion, down by 3% from RM4.8 billion in 6MFY17. The Plantation Division registered a revenue of RM296.4 million, a drop of 17% from RM358.5 million for 6MFY17, mainly due to lower palm product prices and FFB production. For the six-month period, the Heavy Industries Division also posted a lower revenue of RM340.8 million (6MFY17: RM725.3 million) primarily due to slower progress of work for the Littoral Combat Ship (LCS), Littoral Mission Ship (LMS) and ship repair projects. The Property Division's revenue decreased by 13%, mainly as a result of lower contribution from property development activities in Taman Mutiara Rini, Johor and hotel operations. Meanwhile, the Trading & Industrial Division recorded a 13% increase in revenue to RM2.4 billion (6MFY17: RM2.2 billion), largely due to higher fuel prices. Revenue for the Pharmaceutical Division also improved to RM1.2 billion (6MFY17: RM1.1 billion) on the back of increased demand from Government hospitals. For 6MFY18, the Finance & Investment Division's revenue was largely consistent with 6MFY17.

The Plantation Division ended 6MFY18 with a deficit of RM18.4 million (6MFY17: PBT of RM59.4 million), as the bottom line was impacted by sharp fall in palm product prices and higher operating costs. For 6MFY18, the average selling price of CPO was RM2,457 per MT, down by RM512 or 17% from RM2,969 per MT in 6MFY17. Similarly, the average PK price of RM2,001 per MT was lower by RM619 or 24% from RM2,620 per MT in 6MFY17. FFB production for 6MFY18 was 431,349 MT, down by 2% from 440,075 MT in 6MFY17. Oil and kernel extraction rates averaged at 20.7% (6MFY17: 20.8%) and 4.4% (6MFY17: 4.3%) respectively.

The Trading & Industrial Division registered a commendable PBT of RM74.1 million (6MFY17: RM47.4 million) mainly due to stockholding gains as well as better operating margins and sales volumes by Boustead Petroleum Marketing (BPM).

The Finance & Investment Division closed the six-month period with a higher PBT of RM51.3 million (6MFY17: RM40.5 million). This was achieved on the back of better contributions from Boustead Cruise Centre, Cadbury and Kao. In addition, Irat Properties, a joint venture, recorded a lower deficit largely due to reduced direct operating costs. However, Affin Bank, an associate, recorded a lower contribution mainly due to increase in credit impairment losses as well as reduction in interest income and net gain on financial instruments.

The Heavy Industries Division closed 6MFY18 with a deficit of RM29.5 million (6MFY17: PBT of RM45.9 million), as a result of weaker performances from all operating units. Boustead Heavy Industries Corporation (BHIC) registered a lower contribution of RM14.4 million (6MFY17: RM19.1 million), as the bottom line for 6MFY17 was bolstered by conditional variation order claims for the Belum topside project. For the six-month period, Boustead Naval Shipyard (BNS) incurred a deficit mainly due to weaker performance from both shipbuilding and ship repair activities. MHS Aviation (MHSA) also registered a deficit in 6MFY18 as its current operation is being scaled down.

The Pharmaceutical Division recorded a higher cumulative PBT of RM31.9 million (6MFY17: RM28.7 million) mainly due to increased contribution from the concession business, which compensated for higher operating expenses.

Meanwhile, the Property Division ended the six-month period with a higher deficit of RM18.7 million (6MFY17: RM15.0 million). Despite reduced share of loss from a joint venture, Boustead Ikano, this was dampened by weaker results from the property development and hotel segments, as well as unrealised exchange loss from the property investment segment.

17. Performance Review (Cont'd.)

Statement of Financial Position

As at 30 June 2018, property,plant and equipment increased as compared to 31 December 2017's position mainly due the acquisition of new estates in Sabah. Subsequently, the borrowings increased as compared to 31 December 2017's position from additional borrowings to finance the acquisition of these estates.

Statement of Cash Flows

For 6MFY18, the Group recorded a higher cash inflow from operation of RM408.3 million (6MFY17: RM183.3 million) mainly due to higher collection from Heavy Industries Division. On the other hand, the cash outflow from investing activity for the six-month period was higher at RM894.3 million (6MFY17: RM117.6 million) mainly due to payment for the purchase of Pertama estate in Sabah which was financed through the drawdown of revolving credit. Hence, the financing activity recorded cash inflow of RM664.2 million (6MFY17: cash outflow of RM699.1 million).

18. Material Changes in Quarterly Results Compared to The Results of the Immediate Preceding Quarter

For the quarter ended 30 June 2018	**Current Period**	**Immediate Preceding Period**	**+/(-)**
(All figures are stated in RM million)	**30.6.2018**	**31.3.2018**	**%**
Revenue	2,373.7	2,245.0	6%
Profit from operations	56.8	91.9	-38%
Profit before interest and taxation	74.3	120.9	-39%
Profit before taxation	20.4	70.3	-71%
(Loss)/Profit for the period	(1.3)	38.1	-103%
(Loss)/Profit attributable to shareholders of the Company	(27.6)	6.1	-552%

For the current quarter (2QFY18), the Group recorded a lower PBT of RM20.4 million compared with RM70.3 million in the preceding quarter (1QFY18), due to lower contributions from most of the Divisions. In 2QFY18, the Group recorded a loss after tax of RM1.3 million (1QFY18: profit after tax of RM38.1 million) while net loss stood at RM27.6 million (1QFY18: net profit of RM6.1 million).

The Trading & Industrial Division ended the current quarter with a commendable PBT of RM46.4 million (1QFY18: RM27.7 million). This was achieved on the back of stockholding gains, higher sales volume of fuel products and stronger operating margins by Boustead Petroleum Marketing.

The Finance & Investment Division posted a lower PBT for the quarter of RM20.5 million (1QFY18: RM30.8 million). This was mainly due to reduced share of profit from an associate, Affin Bank, which incurred a higher allowance for impairment losses.

The Pharmaceutical Division also posted a reduced PBT of RM7.5 million (1QFY18: RM24.4 million) mainly due to lower contribution from consession business as well as higher operating expenses.

The Plantation Division registered a deficit of RM26.2 million (1QFY18: PBT of RM7.8 million) mainly due to weaker palm product prices, lower FFB production and higher expenditure. Average CPO price for 2QFY18 was RM2,421 per MT, a drop of RM70 from RM2,491 per MT in 1QFY18. Meanwhile, average PK price for 2QFY18 was RM1,791 per MT, a reduction of RM397 from RM2,188 per MT in 1QFY18. FFB production for 2QFY18 was 205,026 per MT, down by 9% from 226,323 per MT in 1QFY18.

For 2QFY18, the Heavy Industries Division incurred a higher deficit of RM17.2 million (1QFY18: RM12.3 million) largely due to lack of projects undertaken by BNS. Nevertheless, this was partly compensated by the higher share of profit in joint ventures under BHIC.

Similarly, the Property Division incurred a higher deficit of RM10.6 million (1QFY18: RM8.1 million) as the improved contribution from property development activity was negated by higher share of loss from Boustead Ikano, a joint venture.

19. Prospects

The outlook for 2nd half of 2018 remains favourable in both global and domestic fronts. The global economy is projected to expand synchronically with the growth in private consumption, attributed to improvements in labour market conditions and the surge in trade activities due to better commodity prices. On the domestic front, the Malaysian economy is expected to grow at a moderate pace. Whilst the private consumption backed by stable employment continues to drive domestic demand, the public spending and investments are expected to expand at slower pace. Notwithstanding the positive view, the escalating US-China trade war poses risk on global trade and will have an impact on Malaysia. Long-term prospects for Malaysian economy are positive, which are supported by strong economic fundamentals, a sound financial system, an accommodative monetary policy as well as the implementation of various Government initiatives. As such, the diversified nature of BHB in six core areas of Malaysian economy certainly augurs well for the Group.

Crop production and selling prices influence the Plantation Division’s profitability. For the current financial year, the expected gain from the proposed sale of 138.89 hectares of Malakoff Estate will uplift the Division’s profit for the year. While the Division's productivity is influenced by availabilty of labour and difficult operating conditions in Sarawak, the recently acquired Pertama estates will contribute towards the Division's crop production. For the 2nd quarter of 2018, CPO prices came under pressure due to lacklustre exports caused by the reinstatement of CPO export duty in May 2018 and the US-China trade conflicts which had led to a sharp drop in soy prices. The price direction for palm oil for the rest of the year is likely to be governed by the production trend from Indonesia and Malaysia, soybean supplies, biodiesel offtake in Indonesia, Indian demand, development of US China trade tensions and its implications on prices of crude mineral oil. The Division is cautiously optimistic that palm oil price will pick up in the last quarter of 2018.

Despite challenging market conditions, Pharmaceutical Division was able to deliver sustained results for the 1st half of the year on the back of its solid fundamentals and continuous operational improvements. The Division expects to continue in delivering high standards of services and widening its product offerings for domestic and international markets via research and development efforts to meet the evolving needs of the healthcare sector. The Division is committed to expanding its market presence in the private sector, particularly in the consumer healthcare segment via strategic marketing initiatives. The Indonesia operations remain a key contributor and the Division is focused on strengthening business synergies between its subsidiaries, PT Millennium Pharmacon International and PT Errita Pharma, to tap into opportunities in this growing market.

Progress billings from the ongoing and upcoming housing projects will contribute positively to the Property Division’s bottom line. The Division's portfolio of well-located investment properties will generate good rentals as well as appreciation in value over time. The Division's hotel activities are expected to achieve satisfactory performance going forward but will continue to face challenges of occupancies and rates.

The LCS and LMS projects as well as defence related maintenance, repair and overhaul activities will contribute to Heavy Industries Division’s performance going forward. Finance & Investment Division’s earnings will largely be driven by our associate, Affin Bank Berhad.

20. Notes on Variance in Actual Profit and Shortfall in Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interests and shortfall in profit guarantee are not applicable.

21. Taxation

	Current Quarter 2018 RM million	Cumulative Quarter 2018 RM million
Malaysian taxation based on profit for the period:		
- Current	25.1	53.6
- Deferred	(2.4)	1.1
	22.7	54.7
Under provision of prior years	(1.0)	(0.8)
	21.7	53.9

The Group's effective rate for current and cumulative quarter is higher than statutory tax rate as certain expenses are non-deductible for tax purposes and non-availability of group relief for certain Subsidiaries.

22. Corporate Proposals - Status

(a) Status of Corporate Proposal

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

The Proposed Acquisition is pending the approval of the State Authority for the transfer of the Bukit Jalil Lands to BCSB and completion of the infrastructure works by the Vendor.

(ii) On 24 April 2018, the Company had issued RM150 million of Islamic Medium Term Notes (IMTN) under the RM2.0 billion Sukuk Programme. The maturity date of the tranche issued is for 3 years, at a profit rate of 5.7%. This is part of the combined RM2.5 billion IMTN Programme with tenure of 10 years of which RM1.0 billion was issued in the previous financial year. The IMTN programmes are unrated and are implemented under Securities Commission Malaysia's Guidelines on Unlisted Capital Market Products under The Lodge and Launch Framework. The proceeds to be raised from the IMTN programmes are to be utilised, amongst others, to finance future property development projects and capital expenditures, investments in subsidiaries and/or associates, working capital requirements and to finance existing borrowings of the Company.

(iii) On 22 December 2017, the Group's wholly owned Subsidiary, Mutiara Rini Sdn Bhd (MRSB) entered into a sale and purchase agreement with LTAT to purchase land measuring 6.59 acres held under HSD 118499 PT 484 Section 90, Town of Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur (Jalan Cochrane Land) for a total cash consideration of RM143,513,065 (Proposed Acquisition).

The approval for the transfer of the Jalan Cochrane Land to MRSB has been obtained from the relevant State Authority. The Proposed Acquisition is now pending for the transfer of title to MRSB.

(iv) On 24 January 2018, Boustead Plantation Berhad (BPB) announced that CIMB Islamic Trustee Berhad (CITB), acting solely as trustee for BPB, entered into a sale and purchase agreement with Sunrich Conquest Sdn. Bhd. (SCSB) for the disposal of 82.84 hectares of freehold land situated in Mukim 12, Daerah Seberang Perai Utara, Pulau Pinang by BPB to SCSB for cash consideration of approximately RM81.0 million, subject to the term and conditions contained therein.

On the same date, CITB, acting solely as trustee for BPB, entered into a sale and purchase agreement with Titanium Greenview Sdn Bhd (TGSB) for the disposal of 56.05 hectares of freehold land situated in Mukim 12, Daerah Seberang Perai Utara, Pulau Pinang by BPB to TGSB for cash consideration of approximately RM55.0 million, subject to the term and conditions contained therein.

A total deposit of RM9.5 million or 7% of the combined sale proceeds has been received since the end of 2017. The sale of the lands is expected to be completed in the 3rd quarter of 2018.

(v) On 1 August 2018, Boustead Rimba Nilai Sdn Bhd (BRNSB), a wholly-owned Subsidiary of BPB entered into a sale and purchase agreement (SPA) with several parties for the acquisition of oil palm plantation lands within the District of Beluran, Kinabatangan and Labuk & Sugut comprising 17 land titles measuring a total of 12,144.99 acres (4,915.25 hectares) together with a 75 tonnes per hour palm oil mill and buildings erected thereon as well as movable assets, machineries and vehicles for a cash consideration of RM397 million (Proposed Acquisition).

BRNSB has paid a 10% deposit. The SPA is pending the approvals of shareholders of the vendors, regulatory authorities and other conditions precedent, where applicable. The Proposed Acquisition is expected to be completed by the 1st quarter of 2019.

There were no other corporate proposals announced or pending completion as at 27 August 2018.

(b) Status on Utilisation of Proceeds from Rights Issue as at 31 July 2018

	Proposed	**Actual**		**Deviation**		
(In RM Million)	**Utilisation**	**Utilisation**	**Time Frame**	**Amount**	**%**	**Explanation**
Repayment of bank borrowings	486.0	486.0	Within 12 months	-		Fully utilised
Property development activities	507.0	102.7	Within 43 months until 31 December 2019	404.3	80%	To be utilised
Working capital	60.5	60.5	Within 12 months	-		Fully utilised
Rights Issue expenses	1.3	1.3	Within 6 months	-		Fully utilised
	1,054.8	650.5		404.3		

22. Corporate Proposals - Status (Cont'd.)

(c) Status on Utilisation of Proceeds from Issue of IMTNs as at 31 July 2018

(In RM Million)	Proposed Utilisation	Actual Utilisation	Time Frame	Deviation Amount
Refinancing of existing borrowings	962.4	962.4	Not applicable	-
Funding of reserve account of IMTN programme	37.6	37.6	Not applicable	-
Funding of working capital	150.0	150.0	Not applicable	-
	1,150.0	1,150.0		-

23. Changes in Material Litigations

(i) In respect of the litigation referred to in Note 38 (a) of 2017 Annual Report, Court had on 28 March 2018 allowed the Plaintiff's application to enter the shipyard and inspect and/or collect samples of 'abandoned' LV cables. Full trial of the main suit has taken place on 16 and 17 April 2018, and on 7 May 2018. Continuation of the trial which was earlier fixed on 11 & 12 July 2018 was adjourned and the next trial dates were fixed on 22 & 23 November 2018. The Court had earlier vacated the continuation of trial which was fixed 20 & 27 August 2018 pending the disposal of Defendant's application to amend defence.

(ii) In respect of Notice of Arbitration issued by MHS Aviation (MHSA) to PETRONAS Carigali Sdn Bhd referred to in Note 44 (e) of 2017 Annual Report, MHSA had agreed on mutual settlements with PCSB and all the JOPs, and has entered into separate confidential agreements with all the JOPs. On 4 April 2018, the arbitration proceedings against PCSB have been withdrawn.

As at 27 August 2018, there were no other changes in material litigation, including the status of pending material litigation since the date of the last annual statement of financial position as at 31 December 2017.

24. Earnings Per Share - Basic/diluted

	Current Period		Cumulative Period	
	2018	**2017**	**2018**	**2017**
Net (loss)/profit for the period (RM million)	**(27.6)**	52.5	**(21.5)**	48.5
Weighted average number of ordinary shares in issue (million)	**2,027.0**	2,027.0	**2,027.0**	2,027.0
Basic/diluted earnings per share (sen)	**(1.36)**	2.59	**(1.06)**	2.39

25. Group Borrowings and Debt Securities

Total group borrowings as at 30 June 2018 are as follows:-

	30.6.2018 RM million	31.12.2017 RM million	30.6.2017 RM million
Non-current:			
Term loans			
- Denominated in Great Britain Pound	**62.9**	66.0	67.6
- Denominated in Indonesian Rupiah	**118.4**	102.7	94.3
- Denominated in US Dollar	**-**	-	54.5
- Denominated in RM	**725.6**	519.2	1,222.5
	906.9	687.9	1,438.9
Asset-backed bonds	**209.3**	758.9	208.6
Islamic medium term notes	**1,142.7**	992.5	-
Bank guaranteed medium term notes	**-**	-	598.8
	2,258.9	2,439.3	2,246.3
Less: repayable in 1 year	**374.5**	982.8	1,547.2
	1,884.4	1,456.5	699.1
Current:			
Bank overdrafts	**43.4**	39.1	41.0
Bankers' acceptances			
- Denominated in Indonesian Rupiah	**13.1**	15.0	15.8
- Denominated in RM	**400.6**	317.0	279.2
Revolving credits	**4,497.2**	3,373.5	4,449.3
Short term loans	**374.5**	982.8	1,547.2
	5,328.8	4,727.4	6,332.5
Total borrowings	**7,213.2**	6,183.9	7,031.6

The Islamic medium term notes (IMTN) comprise:-

i) 2 tranches of RM500 million Sukuk Murabahah, which were issued during the previous financial year, with maturity 7 years from the date of issue and carry profit rate of 5.90% per annum,

ii) 1 tranche of RM150 million Sukuk Murabahah, which was issued during the period, with maturity 3 years from the date of issue and carries profit rate of 5.70% per annum.

The asset-backed bonds (Bonds) comprise of 1 class of guaranteed bonds which are rated AAA(fg). The maturity date of the Bonds is 7 years from the date of issue with the effective interest rate of 5.9% per annum. The Bonds are secured by a debenture over the assets of a Subsidiary, a special purpose vehicle created for the Bonds issuance.

A Subsidiary has a term loan of RM66.2 million (2017: RM234.3 million) which is repayable within 4 years commencing from 27 April 2017. This Subsidiary also has revolving credits of RM933.1 million (2017: RM1,029.3 million) which are secured by way of an assignment on contract proceeds.

A Subsidiary has a term loan denominated in Great Britain Pound equivalent to RM62.9 million (2017: RM66.0 million) which is secured against a property owned by the Subsidiary.

During the quarter, a Subsidiary has fully-settled a term loan which is secured by five aircrafts 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 aircrafts. The amount of this term loan outstanding as at 31 December 2017 was RM114.0 million.

All the other borrowings are unsecured.

The amount of borrowings denominated in foreign currencies:
(All figures are stated in million)

	30.6.2018	31.12.2017	30.6.2017
Denominated in Great Britain Pound	**11.9**	12.1	12.3
Denominated in Indonesian Rupiah	**466,312**	394,966	341,925
Denominated in US Dollar	**-**	-	12.7
Exchange rate:			
- Great Britain Pound	**5.30**	5.47	5.51
- Indonesian Rupiah	**0.0282**	0.0298	0.0322
- US Dollar	**-**	-	4.29

As at 30 June 2018, the Group's borrowing was higher at RM7.2 billion (As at 31 December 2017: RM6.2 billion). The increase was mainly due to higher borrowing from BPB to finance the acquisition of new estates in Sabah.

As at 30 June 2018, the weighted average interest rate of borrowings is 5.1% (As at 31 December 2017: 5.2%) per annum. The proportion of debt based on fixed and floating interest rate is 19% (As at 31 December 2017: 28%) and 81% (As at 31 December 2017: 72%) respectively.

The amount borrowed in foreign currencies is not hedged as the Group does not expect material fluctuation in the exchange rate.

26. Additional Disclosures

The Group's profit before taxation is stated after (crediting)/deducting the following:

	Current Quarter		Cumulative Quarter	
	2018	**2017**	**2018**	**2017**
	RM million	**RM million**	**RM million**	**RM million**
Depreciation and amortisation	**90.2**	92.1	**173.4**	186.8
Provision for and write off of receivables	**3.1**	3.4	**7.9**	4.8
Provision for and write off of inventories	**3.7**	1.6	**8.3**	4.5
Gain on disposal of other property, plant and equipment	**(2.8)**	(0.9)	**(2.9)**	(0.9)
Stockholding (gain)/loss	**(9.1)**	12.4	**(8.9)**	12.6
Foreign exchange loss/(gain)	**5.2**	(5.5)	**(10.4)**	(14.0)
Net fair value (gain)/loss on derivatives	**(7.9)**	5.3	**1.1**	10.0

28. Plantation Statistics

	Cumulative Period	
	2018	**2017**
(a) Crop production and yield		
FFB (MT)	**431,349**	440,075
FFB (MT/ha)	**7.1**	7.5
CPO production (MT)	**96,246**	100,403
(b) Average selling prices (RM per MT)		
FFB	**489**	651
Crude palm oil (CPO)	**2,457**	2,969
Palm kernel (PK)	**2,001**	2,620
(c) Oil extraction rate (%)		
Crude palm oil	**20.7**	20.8
Palm kernel	**4.4**	4.3

(d) Planted areas (hectares)

		As at 30.6.2018	**As at 31.12.2017**
Oil palm	- immature	**6,319**	5,876
	- young mature	**12,367**	12,179
	- prime mature	**33,614**	32,363
	- past prime	**22,477**	14,569
		74,777	64,987