



**ORIENTAL  
HOLDINGS  
BERHAD** (5286-U)

# ANNUAL REPORT 2017

# CONTENTS

2	Notice of Annual General Meeting
6	Dividend Announcement
7	Statement on Proposed Renewal of Authority to Purchase its Own Stocks
12	Corporate Information
13	Profile of Directors/ Key Senior Management
20	Name of Subsidiaries and Associates
22	Group Structure as at 31 December 2017
23	Chairman's Statement
24	Management Discussion and Analysis
36	Five-Year Group Financial Summary
37	Financial Highlights of the Group
38	Financial Calendar
39	Corporate Governance Overview Statement
47	Other Information and Disclosure
51	Audit Committee Report
55	Statement on Risk Management and Internal Control
59	Sustainability Statement
61	Financial Statements for the Year Ended 31 December 2017
191	Ten Largest Properties of the Group as at 31 December 2017
193	Stockholding Statistics
	Form of Proxy

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fifty-Sixth Annual General Meeting of stockholders of Oriental Holdings Berhad will be held at Sri Mas Ballroom, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang on Thursday, 7 June 2018 at 2.30 pm for the following purposes:

## Ordinary Business

- |    |  |                       |
|----|--|-----------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' Report and Auditors' Report thereon.  |                       |
| 2. | To declare a Final Single Tier Dividend of 8 sen per ordinary stock and a Special Final Single Tier Dividend of 20 sen per ordinary stock for the financial year ended 31 December 2017.   | Ordinary Resolution 1 |
| 3. | To re-elect the following Directors who retire in accordance with Article 133 of the Company's Articles of Association (Constitution):   |                       |
|    | (a) Datuk Loh Kian Chong   | Ordinary Resolution 2 |
|    | (b) Ms Tan Kheng Hwee  | Ordinary Resolution 3 |
|    | (c) Mr Lee Kean Teong  | Ordinary Resolution 4 |
| 4. | To re-elect Mr Keiichi Yasuda who retires in accordance with Article 138 of the Company's Articles of Association (Constitution).  | Ordinary Resolution 5 |
| 5. | To approve the Directors' Fees of up to RM1,725,000 and benefits payable to the Directors up to an aggregate amount of RM680,000 for the period commencing this Annual General Meeting ("AGM") through to the next AGM of the Company in 2019. | Ordinary Resolution 6 |
| 6. | To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.   | Ordinary Resolution 7 |

## As Special Business, to consider and if thought fit, to pass with or without any modification, the following Resolutions:

- |    |  |                       |
|----|--|-----------------------|
| 7. | <p><b>Proposed New and Renewal of Stockholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature</b></p> <p>"THAT, pursuant to Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a general mandate of the Stockholders be and is hereby granted to the Company and/or its subsidiaries to enter into the recurrent arrangements or transactions of a revenue or trading nature, as set out in the Company's Circular to Stockholders dated 30 April 2018 ("the Circular") with any person who is a related party as described in the Circular, provided that such transactions are undertaken in the ordinary course of business, on an arm's length basis, and on normal commercial terms, or on terms not more favourable to the Related Party than those generally available to the public and are not, in the Company's opinion, detrimental to the minority stockholders; and that disclosure will be made in the annual report of the aggregate value of transactions conducted during the financial year.</p> <p>AND THAT, such approval, shall continue to be in force until:</p> <p>(a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;</p> <p>(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Company Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or</p> <p>(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is earlier.</p> | Ordinary Resolution 8 |
|----|--|-----------------------|

FURTHER THAT the Directors of the Company be and are hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities to give full effect to the Proposed Stockholders' Mandate."

## NOTICE OF ANNUAL GENERAL MEETING

8. **Proposed Renewal of Authority to Buy-Back its Own Stocks** Ordinary Resolution 9
- "THAT, subject to compliance with Section 127 of the Companies Act, 2016 (as may be amended, modified or re-enacted from time to time) and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities, approval be and is hereby given to the Company to utilise up to RM423.4 million which represents the audited retained earnings of the Company as at 31 December 2017, otherwise available for dividend for the time being, to purchase on Bursa Malaysia Securities Berhad its own stocks up to 62,039,363 ordinary stocks representing 10% of the total number of issued stocks of the Company of 620,393,638 ordinary stocks as at 30 March 2018 (including 31,808 Stocks retained as Treasury Stocks).
- AND THAT upon completion of the purchase(s) of the Stocks by the Company, the Stocks shall be dealt with in the following manner :
- (a) to cancel the Stocks so purchased; or
  - (b) to retain the Stocks so purchased as Treasury Stocks for distribution as dividends to the stockholders and/or resell on the market of Bursa Malaysia Securities Berhad; or
  - (c) to retain part of the Stocks so purchased as Treasury Stocks and cancel the remainder; or
  - (d) in such manner as Bursa Malaysia Securities Berhad and such other relevant authorities may allow from time to time.
- AND THAT such authority from the stockholders would be effective immediately upon the passing of this Ordinary Resolution and will continue in force until:
- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
  - (b) the expiry of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by Ordinary Resolution in a general meeting of stockholders of the Company) but not so as to prejudice the completion of a purchase by the Company or any person before the aforesaid expiry date, in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authorities;
- FURTHER THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient to implement or to effect the purchase of OHB Stocks."
9. **Retention of Independent Director** Ordinary Resolution 10
- "THAT, Ms Mary Geraldine Phipps be and is hereby retained as Independent Non-Executive Director of the Company, in accordance with the Malaysian Code on Corporate Governance until the conclusion of the next Annual General Meeting."
10. **Proposed Adoption of New Constitution of the Company** Special Resolution
- "THAT the Company's existing Memorandum and Articles of Association be deleted in its entirety and that the new Constitution as set out in Part B of the Circular to Stockholders dated 30 April 2018 be and is hereby adopted as the new Constitution of the Company.
- AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption of new Constitution with full powers to assent to any conditions, modifications and/or amendments as may be required by any authorities to give effect to the Proposed Adoption of new Constitution of the Company."
11. To transact any other businesses of which due notice shall have been given in accordance with the Company's Articles of Association (Constitution).

**By Order of the Board**

**TAI YIT CHAN (MAICSA 7009143)**

**ONG TZE-EN (MAICSA 7026537)**

Joint Company Secretaries

Penang, 30 April 2018

## NOTICE OF ANNUAL GENERAL MEETING

### Notes:

1. A Member entitled to attend and vote at this meeting may appoint a proxy to attend and to vote on his behalf. A proxy may but need not be a Member. A Member may appoint 2 proxies to attend on the same occasion. If a Member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportions of his stockholdings to be represented by each proxy.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to 2 proxies in respect of each securities account it may holds with ordinary stocks of the Company standing to the credit of the said securities account.
3. Where a Member of the Company is an exempt authorised nominee which holds ordinary stocks in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. If the appointer is a corporation, the Form of Proxy must be executed under the Common Seal of the Company or under the hand of its attorney duly authorised in writing.
5. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
6. Should you desire your proxy to vote on the Resolutions set out in the Notice of Meeting, please indicate with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.
7. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 30 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.

### Explanatory Notes on Ordinary Business:

1. The Ordinary Resolution 6, is to seek stockholders' approval on the Directors' Fees and benefits payable to the Directors which have been reviewed by the Remuneration Committee and the Board of Directors of the Company. This approval shall continue to be in force until the conclusion of the next AGM of the Company. The Directors' Fees of RM120,000 per Non-Executive Director and RM90,000 per Executive Director will be payable to the Directors upon completion of service by the said Directors. The amount of Directors' fees and benefits is computed based on the anticipated number of Board and Board Committee meetings, assuming full attendance by all the Directors. The amount also includes a contingency sum to cater to unforeseen circumstances such as the appointment of any additional Director, additional unscheduled Board and Board Committees' meetings and/or for the formation of additional Board Committees. Please refer the Corporate Governance Overview Statement for details of the fees and benefits payable for the Directors.

### Explanatory Notes on Special Business:

1. **Ordinary Resolution 8 pursuant to Proposed New and Renewal of Stockholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**  
This Ordinary Resolution, if passed, will approve the stockholders' mandate on Recurrent Related Party Transactions and allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This approval shall continue to be in force until the conclusion of the next AGM or the expiration of the period within which the next AGM is required by the law to be held or revoked/varied by resolution passed by the stockholders in a general meeting whichever is the earlier.

Please refer to Part A of the Circular to Stockholders dated 30 April 2018 for further information.

## NOTICE OF ANNUAL GENERAL MEETING

2. **Ordinary Resolution 9 pursuant to Proposed Renewal of Authority to Buy-Back its Own Stocks**

This Ordinary Resolution, if passed, will allow the Company to purchase its own stocks. The total number of stocks purchased shall not exceed 62,039,363 stocks representing 10% of the total number of issued share capital of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expires at the next AGM of the Company.

3. **Ordinary Resolution 10 pursuant to Retention of Independent Director, Ms Mary Geraldine Phipps**

Ms Mary Geraldine Phipps ("Ms Phipps") was appointed as an Independent Non-Executive Director on 14 August 2009. She has served the Company as an Independent Non-Executive Director for almost (9) years as at the date of the notice of the Fifty-Sixth Annual General Meeting. The Nominating Committee has assessed the independence of Ms Phipps and noted that Ms Phipps meets the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and demonstrates complete independence in character and judgement. The Board, therefore, considers Ms Phipps to be independent and recommends Ms Phipps to remain as an Independent Non-Executive Director.

4. **Special Resolution pursuant to Proposed Adoption of New Constitution of the Company**

This Special Resolution, if passed, will align the Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing laws, guidelines or requirements of the relevant authorities, to enhance administrative efficiency and provide greater clarity.

Please refer to Part B of the Circular to Stockholders dated 30 April 2018 for further information.

**Statement of Accompanying Notice of Annual General Meeting**

(Pursuant to Paragraph 8.27(2) of the Listing Requirements)

1. No individual is standing for election as a Director at the forthcoming AGM of the Company.

# DIVIDEND ANNOUNCEMENT

**NOTICE IS HEREBY GIVEN that a Depositor shall qualify for entitlement to the Final Single Tier Dividend of 8 sen per ordinary stock and a Special Final Single Tier Dividend of 20 sen per ordinary stock only in respect of:**

- (a) Stocks transferred into the Depositor's Securities Account before 4.00 pm on 29 June 2018 in respect of ordinary transfers; and
- (b) Stocks bought on Bursa Malaysia Securities Berhad on a cum dividend entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

**The Final Single Tier Dividend and Special Final Single Tier Dividend, if approved, will be paid on 12 July 2018 to Depositors registered in the Records of Depositors at the close of business on 29 June 2018.**

# STATEMENT ON PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN STOCKS

## 1. INTRODUCTION

At the AGM of the Company held on 8 June 2017, the Directors had obtained stockholders' approval to undertake the Proposed Stock Buy-Back of up to 10% of the total number of issued stocks of Oriental Holdings Berhad ("the Company" or "OHB") through Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company's authority to undertake the Proposed Stock Buy-Back shall, in accordance with Bursa Securities's Guidelines Governing Share Buy-Back, lapses at the conclusion of the forthcoming AGM unless a new mandate is obtained from stockholders for the Proposed Stock Buy-Back.

Accordingly, the Company had on 9 April 2018 announced that the Directors proposed to seek authorisation from stockholders for a renewal of the Proposed Stock Buy-Back.

The purpose of this Statement is to provide you with the details pertaining to the Proposed Stock Buy-Back and to seek your approval for the related resolution which will be tabled at the forthcoming AGM.

## 2. PROPOSED RENEWAL OF AUTHORITY FOR THE STOCK BUY-BACK

As at the date of this Statement, the Company has bought back 100,000 Stocks from the open market. On 2 March 2001, 68,192 of the Treasury Stocks that were purchased were cancelled.

As at 9 April 2018, the issued share capital of the Company is RM620,393,638 comprising of 620,393,638 Stocks (including 31,808 Stocks retained as Treasury Stocks). The Directors seek the authority from the stockholders of the Company to purchase its Stocks up to ten per centum (10%) of the total number of issued stocks of OHB or 62,039,363 Stocks for the time being quoted on the Bursa Securities through its appointed stockbroker, Affin Hwang Investment Bank Berhad previously notified to the Bursa Securities.

The new mandate from stockholders will be effective immediately upon the passing of the Ordinary Resolution for the Proposed Stock Buy-Back up till the conclusion of the next AGM of OHB in the year 2019 unless the authority is further renewed by an Ordinary Resolution passed at the said AGM (either unconditionally or subject to conditions), or upon the expiration of the period within which the next AGM is required by law to be held, or if earlier revoked or varied by an Ordinary Resolution of the stockholders of the Company in a general meeting.

The Proposed Stock Buy-Back is subject to compliance with Section 127 of the Companies Act, 2016 (as may be amended, modified or re-enacted from time to time) and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of purchase.

In accordance with the guidelines of the Bursa Securities, the Company may only purchase the Stocks on the Bursa Securities at a price which is not more than fifteen per centum (15%) above the weighted average market price for the past five (5) market days immediately preceding the date of the purchase(s). The Company may only resell the Treasury Stocks on the Bursa Securities at :

- (a) a price which is not less than the weighted average market price for the Stocks for the past five (5) market days immediately prior to the resale; or
- (b) a discount price of not more than 5% to the weighted average market price for the Stocks for the five (5) market days immediately prior to the resale provided that :
  - (i) the resale takes place no earlier than 30 days from the date of purchase; and
  - (ii) the resale price is not less than the cost of purchase of the shares being resold.

The Directors will deal with the Stocks so purchased in the following manner :-

- (a) to cancel the Stocks so purchased; or
- (b) to retain the Stocks so purchased as Treasury Stocks for distribution as dividends to the stockholders and/or resell on the market of the Bursa Securities; or
- (c) to retain part of the Stocks so purchased as Treasury Stocks and cancel the remainder; or
- (d) in such manner as Bursa Malaysia Securities Berhad and such other relevant authorities may allow from time to time.



# STATEMENT ON PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN STOCKS

## 2. PROPOSED RENEWAL OF AUTHORITY FOR THE STOCK BUY-BACK (cont'd)

An appropriate announcement will be made to the Bursa Securities in respect of the intention of the Directors whether to retain the Stocks so purchased as Treasury Stocks or cancel them or both as and when the Proposed Stock Buy-Back is executed.

## 3. RATIONALE FOR THE PROPOSED STOCK BUY-BACK

The Proposed Stock Buy-Back will give the Directors the flexibility to purchase Stocks, if and when circumstances permit, with a view to enhancing the earnings per stock of the Group and net assets per stock of the Company.

The Proposed Stock Buy-Back is not expected to have any potential material disadvantage to the Company and its stockholders as it will be exercised only after in-depth consideration of the financial resources of the Group and of the resultant impact on its stockholders.

### 3.1 Potential Advantages

The Proposed Stock Buy-Back, if exercised, is expected to potentially benefit the Company and its stockholders as follows :

- The Company would expect to enhance the earnings per stock of the Group (in the case where the Directors resolve to cancel the Stocks so purchased or retain the Stocks in treasury and the Treasury Stocks are not subsequently resold), and thereby long term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company;
- If the Stocks bought back are kept as Treasury Stocks, it will give the Directors an option to sell the Stocks so purchased at a higher price and therefore make an exceptional gain for the Company. Alternatively the Stocks so purchased can be distributed as share dividends to stockholders; and
- The Company may be able to stabilize the supply and demand of its Stocks in the open market and thereby supporting its fundamental values.

### 3.2 Potential Disadvantages

The Proposed Stock Buy-Back, if exercised, will reduce the financial resources of OHB and may result in OHB having to forego other alternative investment opportunities which may emerge in the future, and it may reduce the financial resources of OHB for payment of dividends. Nevertheless, the Directors will be mindful of the interests of OHB and its stockholders when exercising the Proposed Stock Buy-Back.

## 4. FINANCIAL EFFECTS OF THE PROPOSED STOCK BUY-BACK

### 4.1 Share Capital

The Proposed Stock Buy-Back, if carried out in full and assuming the Stocks so purchased are cancelled, the proforma effect on the issued share capital of the Company will be as follows :

	<b>No. of Stocks</b>
Existing as at 30 March 2018	620,393,638
Proposed Stock Buy-Back (10% of the total number of issued stocks, including 31,808 Treasury Stocks)	62,039,363
	558,354,275

However, there will be no effect on the total number of issued Stocks of OHB if the Stocks so purchased are retained as Treasury Stocks.

# STATEMENT ON PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN STOCKS

## **4. FINANCIAL EFFECTS OF THE PROPOSED STOCK BUY-BACK (cont'd)**

### **4.2 Net Assets Per Stock**

The effects of the Proposed Stock Buy-Back on the net assets per stock of the Group are dependent on the purchase prices of the OHB Stocks and the effective funding cost to the Company.

If all the OHB Stocks purchased are to be cancelled, the Proposed Stock Buy-Back will reduce the net assets per stock when the purchase price exceeds the net assets per stock at the relevant point in time. However, the net assets per stock will be increased when the purchase price is less than the net assets per stock at the relevant point in time. The net assets per stock is RM9.76 as per audited financial statements as at 31 December 2017.

### **4.3 Working Capital**

The Proposed Stock Buy-Back, if exercised, will reduce the working capital of the Group, the quantum of which depends on the purchase price of OHB Stocks and the actual number of OHB Stocks purchased.

### **4.4 Earnings Per Stock**

The effects of the Proposed Stock Buy-Back on the earnings per stock of the Group are dependent on the actual number of OHB Stocks bought back and the purchase prices of OHB Stocks and the effective funding cost to the Company.

### **4.5 Dividends**

Assuming the Proposed Stock Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Stock Buy-Back will have the effect of increasing the dividend rate of OHB as a result of the reduction in the total number of issued Stocks of OHB as described under Section 3.1 above.

## **5. SOURCE OF FUNDS FOR THE PROPOSED STOCK BUY-BACK**

The Proposed Stock Buy-Back will allow the Company to purchase its own stocks at any time within the above mentioned time period using internally generated funds of the Company.

The actual number of Stocks to be purchased, the total amount of funds to be utilised for each purchase and the timing of any purchase will depend on the market conditions and sentiments of the stock market, the financial resources available to the Company as well as the availability of the retained earnings of the Company.

The maximum amount of funds to be utilised for the Proposed Stock Buy-Back shall not exceed the aggregate of the retained earnings of the Company, otherwise available for dividend for the time being. Based on the audited financial statements as at 31 December 2017, the Company's retained earnings is RM423.4 million.

## **6. OTHER DISCLOSURES IN RELATION TO THE PROPOSED STOCK BUY-BACK**

### **6.1 Public Stockholding Spread**

The Proposed Stock Buy-Back will be made in compliance with the 25% public stockholding spread as required by the Main Market Listing Requirements of Bursa Securities. As at 30 March 2018, the public stockholding spread of the Company is approximately 40.67% of its issued share capital.

### **6.2 Purchases and Resale Made in the Previous Twelve (12) Months**

OHB has not purchased any stocks in the previous 12 months preceding the date of this Statement. There was also no resale or cancellation of Treasury Stocks during the same period.

As at 31 December 2000, OHB had purchased a total of 100,000 of its own Stocks and retained as Treasury Stocks. Out of these 100,000 Stocks, 68,192 Stocks were cancelled on 2 March 2001 and delisted from the Bursa Securities. The remaining of 31,808 Stocks are retained as Treasury Stocks. Treasury Stocks have no rights to voting, dividends, bonus issue and participation in other distribution.

# STATEMENT ON PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN STOCKS

## 6. OTHER DISCLOSURES IN RELATION TO THE PROPOSED STOCK BUY-BACK (cont'd)

### 6.3 Share Price

The monthly highest and lowest prices of the Stocks traded on the Bursa Securities for the last twelve (12) months from April 2017 to March 2018 are as follows:

	April 2017	May 2017	Jun 2017	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018
Highest (RM)	6.80	6.81	6.79	6.68	6.83	6.80	6.70	6.74	6.64	6.63	6.55	6.46
Lowest (RM)	6.57	6.62	6.55	6.55	6.57	6.52	6.49	6.51	6.52	6.46	6.44	6.20

The last transacted price of OHB Stocks on 12 April 2018, being the latest practicable date prior to the date of printing of the Circular was RM6.28.

### 6.4 Implication on The Malaysian Code On Take-Overs and Mergers 2016 ("the Code")

Boon Siew Sdn Bhd, a major stockholder of OHB by virtue of the management control exercised collectively by Datuk Loh Kian Chong, Dato' Robert Wong Lum Kong, DSSA, JP, Dato' Seri Lim Su Tong @ Lim Chee Tong, Ms Tan Kheng Hwee and Dato' Sri Datuk Wira Tan Hui Jing, is deemed to be a Party Acting in Concert with these Directors.

The Proposed Stock Buy-Back, if fully exercised, will result in the equity interest of Boon Siew Sdn Bhd increasing from 43.0% to 47.8%. If the increase is more than 2% over a 6 month period, Boon Siew Sdn Bhd will be obliged pursuant to the Code to undertake a Mandatory General Offer for the remaining ordinary stocks in OHB not already held by them.

The Directors, Datuk Loh Kian Chong, Dato' Robert Wong Lum Kong, DSSA, JP, Dato' Seri Lim Su Tong @ Lim Chee Tong, Ms Tan Kheng Hwee and Dato' Sri Datuk Wira Tan Hui Jing as well as Boon Siew Sdn Bhd will seek Securities Commission Malaysia's approval for a waiver from the obligation to undertake a Mandatory General Offer under Practice Note 9 of the Code, which is in respect of exemption for holders of voting shares, directors and persons acting in concert when a company purchases its own voting shares.

In the event the Proposed Waiver is not granted, the Company will not proceed with the Proposed Stock Buy-Back.

## 7. INTERESTS OF DIRECTORS, SUBSTANTIAL STOCKHOLDERS AND PERSONS CONNECTED

The Directors, Substantial Stockholders and Persons Connected with the Directors and/or Substantial Stockholders of the OHB Group have no direct or indirect interest in the Proposed Stock Buy-Back and resale of Treasury Stocks.

The proforma table below shows the interests held directly and indirectly in OHB by the Directors and Substantial Stockholders of OHB before and after the Proposed Stock Buy-Back:

	Stockholdings as at 30 March 2018							
	Before Proposed Stock Buy-Back				After Proposed Stock Buy-Back			
	Direct	%	Indirect	%	Direct	%	Indirect	%
<b>Directors</b>								
Datuk Loh Kian Chong	500,000	0.08	<sup>(a)</sup> 358,302,450	57.76	500,000	0.09	<sup>(a)</sup> 358,302,450	64.17
Dato' Robert Wong Lum Kong, DSSA, JP	181,149	0.03	<sup>(b)</sup> 161,872	0.03	181,149	0.03	<sup>(b)</sup> 161,872	0.03
Dato' Seri Lim Su Tong	2,966,906	0.48	<sup>(b)</sup> 3,742,626	0.60	2,966,906	0.53	<sup>(b)</sup> 3,742,626	0.67
Tan Kheng Hwee	172,032	0.03	-	-	172,032	0.03	-	-
Dato' Sri Datuk Wira Tan Hui Jing	-	-	<sup>(c)</sup> 737,000	0.12	-	-	<sup>(c)</sup> 737,000	0.13
Mary Geraldine Phipps	-	-	<sup>(d)</sup> 5,161	0.00	-	-	<sup>(d)</sup> 5,161	0.00
Dato' Ghazi Bin Ishak	-	-	-	-	-	-	-	-
Lee Kean Teong	-	-	-	-	-	-	-	-
Sharifah Intan Binti S. M. Aidid	18,000	0.00	-	-	18,000	0.00	-	-
Keiichi Yasuda	-	-	-	-	-	-	-	-
Datin Loh Ean	161,872	0.03	<sup>(b)</sup> 181,149	0.03	161,872	0.03	<sup>(b)</sup> 181,149	0.03

# STATEMENT ON PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN STOCKS

## 7. INTERESTS OF DIRECTORS, SUBSTANTIAL STOCKHOLDERS AND PERSONS CONNECTED (cont'd)

	Stockholdings as at 30 March 2018							
	Before Proposed Stock Buy-Back				After Proposed Stock Buy-Back			
	Direct	%	Indirect	%	Direct	%	Indirect	%
<b>Substantial Stockholders</b>								
Boon Siew Sdn Bhd	266,729,662	43.00	<sup>(e)</sup> 78,604,757	12.67	266,729,662	47.77	<sup>(e)</sup> 78,604,757	14.08
Employees Provident Fund Board	63,242,616	10.19	-	-	63,242,616	11.33	-	-
Penang Yellow Bus Company Berhad	32,848,477	5.30	-	-	32,848,477	5.88	-	-
Datuk Loh Kian Chong	500,000	0.08	<sup>(a)</sup> 358,302,450	57.76	500,000	0.09	<sup>(a)</sup> 358,302,450	64.17
Aberdeen Asset Management PLC and its Subsidiaries	-	-	<sup>(f)</sup> 66,128,300	10.66	-	-	<sup>(f)</sup> 66,128,300	11.84
Standard Life Aberdeen PLC and its Subsidiaries	-	-	<sup>(f)</sup> 49,840,200	8.03	-	-	<sup>(f)</sup> 49,840,200	8.93
Aberdeen Asset Management Asia Limited	-	-	<sup>(g)</sup> 32,129,500	5.18	-	-	<sup>(g)</sup> 32,129,500	5.76

**Notes:**

- <sup>(a)</sup> Deemed interested via Boon Siew Sdn Bhd, Penang Yellow Bus Company Berhad, Bayview Hotel Sdn Bhd, Loh Boon Siew Holdings Sdn Bhd, Loh Kar Bee Holdings Sdn Bhd, Boon Siew Development Sdn Bhd, Boontong Estates Sdn Bhd, Southern Perak Plantations Sdn Berhad and Global Investment Limited.
- <sup>(b)</sup> Deemed interested via spouses and children in accordance with Section 59(1)(c) of the Companies Act, 2016.
- <sup>(c)</sup> Deemed interested via Loh Gim Ean Holdings Sdn. Bhd.
- <sup>(d)</sup> Deemed interested via Phipps Holdings Sdn. Bhd.
- <sup>(e)</sup> Deemed interested via Penang Yellow Bus Company Berhad, Bayview Hotel Sdn Bhd, Boon Siew Development Sdn Bhd, Boontong Estates Sdn Bhd and Southern Perak Plantations Sdn Berhad.
- <sup>(f)</sup> Deemed interested via its subsidiaries' interests.
- <sup>(g)</sup> Deemed interested via holding voting rights of OHB stocks through various funds managed.

## 8. DIRECTORS' RECOMMENDATION

Having considered all aspects of the Proposed Stock Buy-Back, the Directors are of the opinion that the Proposed Stock Buy-Back is in the best interest of the Group. The Directors recommend that you vote in favour of the resolution pertaining to the Proposed Stock Buy-Back to be tabled at the forthcoming AGM.

## 9. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts the omission of which would make any statement misleading.

## 10. BURSA SECURITIES

Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or reliance upon the whole or any part of the contents of this Statement. Bursa has not reviewed this Statement prior to its issuance.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company during normal office hours on Mondays to Fridays (except public holidays) from the date of this Annual Report up to and including the date of AGM:

- (a) the Constitution (Memorandum and Articles of Association) of the Company;
- (b) the Audited Financial Statements of the Group for the past two financial years ended 31 December 2016 and 2017.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Chairman

- Datuk Loh Kian Chong  
D.M.S.M.

### Executive Directors

- Dato' Robert Wong Lum Kong  
D.S.S.A., J.P.
- Dato' Seri Lim Su Tong  
D.G.P.N., D.S.P.N.
- Tan Kheng Hwee
- Dato' Sri Datuk Wira Tan Hui Jing  
S.S.A.P., D.C.S.M., P.K.T., P.J.K.

### Non-Executive Directors

- Dato' Ghazi bin Ishak D.S.S.A.  
Senior Independent Non-Executive Director
- Mary Geraldine Phipps  
Independent Non-Executive Director
- Lee Kean Teong  
Independent Non-Executive Director
- Sharifah Intan binti S. M. Aidid  
Non-Independent Non-Executive Director
- Keiichi Yasuda  
Non-Independent Non-Executive Director
- Datin Loh Ean  
(Alternate Director to  
Dato' Robert Wong Lum Kong  
D.S.S.A., J.P.)

## EXCO COMMITTEE

### Chairman

- Datuk Loh Kian Chong

### Members

- Dato' Robert Wong Lum Kong  
D.S.S.A., J.P.
- Dato' Seri Lim Su Tong
- Tan Kheng Hwee
- Dato' Sri Datuk Wira Tan Hui Jing

## AUDIT COMMITTEE

### Chairman

- Mary Geraldine Phipps

### Members

- Dato' Ghazi bin Ishak
- Lee Kean Teong
- Sharifah Intan binti S. M. Aidid

## REMUNERATION COMMITTEE

### Chairman

- Dato' Ghazi bin Ishak

### Members

- Mary Geraldine Phipps
- Lee Kean Teong
- Sharifah Intan binti S. M. Aidid

## NOMINATING COMMITTEE

### Chairman

- Mary Geraldine Phipps

### Members

- Dato' Ghazi bin Ishak
- Lee Kean Teong
- Sharifah Intan binti S. M. Aidid

## RISK MANAGEMENT COMMITTEE

### Chairman

- Mary Geraldine Phipps

### Members

- Datuk Loh Kian Chong
- Dato' Robert Wong Lum Kong  
D.S.S.A., J.P.
- Dato' Seri Lim Su Tong
- Tan Kheng Hwee
- Dato' Sri Datuk Wira Tan Hui Jing
- Wong Tet Look

## COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)  
Ong Tze-En (MAICSA 7026537)

## REGISTERED OFFICE

Suite 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel No : 04-2294390  
Fax No : 04-2265860

## SHARE REGISTRAR

AGRITEUM Share Registration  
Services Sdn. Bhd.  
2nd Floor, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel No : 04-2282321  
Fax No : 04-2272391

## AUDITORS

KPMG PLT, Penang  
Chartered Accountants

## MAJOR BANKERS

- Citibank Berhad
- The Bank of Nova Scotia Berhad
- Standard Chartered Bank  
Malaysia Berhad
- United Overseas Bank  
(Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Code : 4006

## WEBSITE

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

## PROFILE OF DIRECTORS/ KEY SENIOR MANAGEMENT

### Datuk Loh Kian Chong

*Executive Chairman  
Key Senior Management*

Datuk Loh Kian Chong, aged 42, Male, a Malaysian, joined the Board as an Executive Director on 15 May 2009 and was appointed as Deputy Chairman on 8 November 2013. He assumed the position of Chairman on 1 January 2015. He is currently co-joint with Dato' Seri Lim Su Tong in charge of the investment and development of properties, trading of building material products and plantation divisions of the Group.

Datuk Loh Kian Chong holds a Bachelor of Business in Property from Royal Melbourne Institute of Technology (RMIT), Australia.

He began his career as Director of Boon Siew Group of Companies in 2000. In May 2007, he was appointed as Deputy Chairman of Boon Siew Sdn. Bhd.. He is a major shareholder of Boon Siew Sdn. Bhd. and in turn, a major stockholder of Oriental Holdings Berhad.

He is a Director of Penang Yellow Bus Company Berhad, Boon Siew Credit Berhad and The Corner Properties Berhad.

He is a member of Risk Management Committee.

He attended all the 5 Board Meetings held in 2017.

He is the nephew of Dato' Robert Wong Lum Kong, DSSA, JP, Datin Loh Ean, Dato' Seri Lim Su Tong and the cousin of Dato' Sri Datuk Wira Tan Hui Jing and Tan Kheng Hwee.

### Dato' Robert Wong Lum Kong, DSSA, JP

*Group Managing Director  
Key Senior Management*

Dato' Robert Wong Lum Kong, DSSA, JP, aged 77, Male, a Malaysian, was appointed to the Board on 12 April 1976. He is the Group Managing Director of Oriental Holdings Berhad in charge of the automotive division for the Honda and Mitsubishi businesses in Malaysia as well as the automotive plastic division and industrial manufacturing and commercial property division in Malaysia.

Dato' Wong is a Chartered Accountant, a Fellow of CPA Australia with Cost Accounting background and a member of both the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He also holds memberships in the Malaysian Institute of Directors, Malaysian Institute of Corporate Governance and a Fellowship in the Institute of The Motor Industry, (UK).

He has over 50 years of experience in the business, corporate and entrepreneurship sectors, having started his career in 1964 when he became the General Manager and Director of a food canning manufacturing and trading concern dealing in non-consumable products. From 1967 to 1971, he was the Senior Accountant in a Certified Public Accounting firm, and during this period, he was seconded to a stock broking firm for 1½ years to reorganize and manage the business. In 1971, he started a public accounting firm bearing his own name.

He is one of the five executive directors responsible for the overall business and management operations of the Group. He is also a member of the EXCO Committee and Risk Management Committee.

In 1972, Dato' Wong joined Boon Siew Sdn Bhd as General Manager and Oriental Holdings Berhad Group as General Manager and Advisor, with emphasis in the motor and motor-related businesses.

In addition, he is the Managing Director of the following Oriental Holdings Berhad subsidiaries, namely:

- Kah Motor Co. Malaysia Honda Distributorship operations since 1987 and Honda Malaysia dealerships since 2001,
- Boon Siew (Borneo) Malaysia Honda car & motorcycle operations since 1987 and Honda Malaysia dealership since 2001,
- Kah Classic Auto Mitsubishi Malaysia dealerships since 2015;
- Happy Motoring Co. Sdn Bhd, exclusive distributor of Honda automobiles under Honda Motor Co. Ltd., Japan, in Negara Brunei Darussalam.

He is highly experienced in the motor industry, and has over 40 years of experience encompassing importation, distribution, assembly and marketing in both cars and motorcycles, as well as the manufacturing of components for the automotive (2-wheelers and 4-wheelers), electronics and parts industry both locally and overseas.



## PROFILE OF DIRECTORS/KEY SENIOR MANAGEMENT

### Dato' Robert Wong Lum Kong, *DSSA, JP* (cont'd)

*Group Managing Director  
Key Senior Management*

Besides the automotive business in Malaysia and Negara Brunei Darussalam, Dato' Wong is also in charge of the automotive plastic division of the Group locally and abroad. He established Teck See Plastic Group as an integrated one-stop center for designing, compounding and manufacturing of automotive and consumer products.

Dato' Wong is also very much devoted to public services and has held some notable memberships and positions, including among them, Associate Member of the Commonwealth Magistrates & Judges Association, Honorary Rotarian, Trustee of The Spastic Children's Association of Selangor and Federal Territory, and Chairman of the 5th New Honda Circle Asia-Oceania Bloc Committee.

For Kah Motor Co. Malaysia and Boon Siew Malaysia to be the only two companies, and Malaysia the only country, in the world to attain the No. 1 position for both the Honda brand of passenger cars and motorcycles (non-national segment) for 11 consecutive years (1990 – 2000), Dato' Wong received formal recognition from various Honda Presidents and Managing Directors of Honda Motor Co., Ltd. (Japan). He is held in high esteem by Honda Japan who has honoured him on various occasions including public recognition as the de facto head representative for all Honda Motorcycle Distributors worldwide during Honda Motor's 100<sup>th</sup> million unit celebration in 1997 and again in 1998 during Honda Motor's 50<sup>th</sup> Anniversary, this time for all Honda Car Distributors.

The 11 consecutive years of No. 1 achievement in the Honda motorcycle brand was the feather in the cap over the overall No. 1 position for Honda motorcycles in Malaysia (non-national segment) for 33 years and was largely achieved through the development of over 300 professional Honda motorcycle dealers which started from bicycle shops. Dato' Wong further developed Kah Motor - Boon Siew Honda motorcycle assembly plant in Prai, Penang, the first of its kind in the country, and toward acclamation in the Malaysian Book of Records as the first ever motorcycle plant to produce over 3 million units.

During this time, Dato' Wong and his team also catapulted Malaysia to be the first country outside of Japan to locally assemble and market Honda's flagship, the CKD Legend 3.2L, which became one of the top selling cars of its class in Malaysia in that time. The Honda NSX was also introduced in Malaysia being one of the few countries that gained the trust of Honda Motor Japan.

Throughout the illustrious accomplishments of the Oriental Group automotive division, Dato' Wong and his team also established a professional and accomplished network of Honda car dealers and Honda CKD parts' suppliers some of which today continue to flourish and have become iconic names in Malaysia.

Forward looking with deep passion for sustainability, Dato' Wong and his team worked hard to ensure his stewardship did not only hit the top of the awards' charts but also in generating returns to investors. To this day, Kah Motor's best annual profit that exceeded RM300m and dividend contribution of close to RM400m in a single year stand unsurpassed and the fruits of these results have been channeled into the Group's ongoing diversifications for future sustainability.

To ensure these diversifications by Oriental Holdings Berhad involving hotels and resorts, plantation and commodities, investment properties and trading of building material products, healthcare services, land reclamation, healthcare, construction machinery, safety driving centers and financial services are well looked after, Dato' Wong also serves on the boards of the subsidiary and associate companies.

He has been the Managing Director of Boon Siew Sdn Bhd since 1987, a company with controlling interest in Oriental Holdings Berhad, and its subsidiary and associate companies. Amongst his other directorships, he is a director of Hicom-Honda Manufacturing Malaysia Sdn Bhd, a joint-venture between DRB-Hicom Berhad, Honda Motor Co. and Boon Siew Sdn Bhd in the manufacture of motorcycle engines and components and Hicom-Teck See Sdn Bhd which specializes in plastic automotive parts manufacturing. He is also a director of Hitachi Construction Machinery (Malaysia) Sdn Bhd and Singapore Safety Driving Centre Ltd.

In further recognition of his outstanding and exemplary achievements in entrepreneurship, Dato' Wong was awarded no fewer than 11 entrepreneurship awards, among them the Entrepreneur of the Year Award by Enterprise Asia in its Asia Pacific Entrepreneurship Awards 2010 (APEA 2010), the Great Entrepreneur Brand Icon Leadership Award 2011, the Brand Personality Award 2012-2013 from the BrandLaureate Asia Pacific Brands Foundation as well as the Malaysia Business Leadership Awards 2010 – Automotive Award, from the Kuala Lumpur Malay Chamber of Commerce and the Leaders Magazine. Distinguishing his contributions in the field of leadership, Dato' Wong was awarded the Lifetime Achievement Global Leadership Award 2011 and the Lifetime Achievement Master Class Award in 2011 from ASEAN Retail Chains & Franchise Federation. In 2016, he received recognition as a Global Lifetime Brands Icon in Automotive Industry Awards.

He was a founding member of the Audit Committee since its formation on 27 April 1994 until his resignation on 31 January 2009.

He attended all the 5 Board meetings held in 2017.

He is the spouse of Datin Loh Ean and the eldest brother-in-law of Dato' Seri Lim Su Tong and the uncle of Datuk Loh Kian Chong, Dato' Sri Datuk Wira Tan Hui Jing and Tan Kheng Hwee.

## PROFILE OF DIRECTORS/KEY SENIOR MANAGEMENT

### Dato' Seri Lim Su Tong

*Group Managing Director  
Key Senior Management*

Dato' Seri Lim, aged 73, Male, a Malaysian, was appointed to the Board on 1 July 1974. He is currently the Group Managing Director in charge of the investment and development of properties, trading of building material products and plantation divisions of the Group.

Dato' Seri Lim, a Bachelor of Arts (Hons) Economics graduate, has over 40 years of experience in business operations.

He is one of the five Executive Directors responsible for the overall business and management operations of the Group.

He is a Director of several subsidiaries involved in hotels and resorts, automotive and plastic parts industries.

He is also a Managing Director of Boon Siew Sdn. Bhd. and Boon Siew Credit Berhad and a Director of Penang Yellow Bus Company Berhad.

He is a member of Risk Management Committee.

He attended all the 5 Board Meetings held in 2017.

He is the brother-in-law of Dato' Robert Wong Lum Kong, DSSA, JP, Datin Loh Ean and the uncle of Datuk Loh Kian Chong, Dato' Sri Datuk Wira Tan Hui Jing and Tan Kheng Hwee.

### Tan Kheng Hwee

*Executive Director  
Key Senior Management*

Ms. Tan Kheng Hwee, aged 52, Female, a Singaporean, joined the Board as an Executive Director on 1 January 2015. She was previously an Alternate Director to Dato' Seri Loh Cheng Yean who retired from the Board on 31 December 2014.

Ms. Tan holds a Bachelor of Arts in Economics, Cornell University and also a MBA in Finance, New York University. She worked in Deloitte and Touche in New York City (International Tax) for a year before joining Kah Motor Singapore Branch as a Finance Manager in 1993. She is currently the Executive Director in charge of the Honda automobile business in Singapore as well as Hotels & Resorts division.

She is a Director of Boon Siew Credit Berhad and Penang Yellow Bus Company Berhad. On 1 April 2018, she joined the Board of Boon Siew Honda Sdn. Bhd. as the representative director of Oriental Holdings Berhad in Boon Siew Honda Sdn. Bhd..

She is a member of Risk Management Committee.

She attended all the 5 Board Meetings held in 2017.

She is the niece of Dato' Robert Wong Lum Kong, DSSA, JP, Datin Loh Ean, Dato' Seri Lim Su Tong and the cousin of Datuk Loh Kian Chong and Dato' Sri Datuk Wira Tan Hui Jing.



## PROFILE OF DIRECTORS/KEY SENIOR MANAGEMENT

### Dato' Sri Datuk Wira Tan Hui Jing

*Executive Director*  
*Key Senior Management*

Dato' Sri Datuk Wira Tan Hui Jing, aged 37, Male, a Malaysian, joined the Board as a Non-Independent Non-Executive Director on 1 February 2014 and was re-designated as an Executive Director on 1 January 2015.

Dato' Sri Datuk Wira Tan Hui Jing holds a Bachelor of Business Systems degree from Monash University, Clayton, Australia.

He began his career as Sales and Marketing Executive in Boon Siew Sdn. Bhd. in 2004. In 2006, he was appointed as Director of Boon Siew Honda Sdn. Bhd.. He is the Deputy CEO and was recently re-designated Chairman of Boon Siew Honda Sdn Bhd effective 1 April 2018.

He is the Director in charge of Armstrong Auto Parts Group and Healthcare division. In addition, he is the representative director of Oriental Holdings Berhad in Boon Siew Honda Sdn. Bhd., Honda Autoparts Manufacturing (M) Sdn. Bhd., Honda Malaysia Sdn. Bhd. and Hitachi Construction Machinery (Malaysia) Sdn. Bhd..

He is a member of Risk Management Committee.

He attended all the 5 Board Meetings held in 2017.

He is the nephew of Dato' Robert Wong Lum Kong, DSSA, JP, Datin Loh Ean, Dato' Seri Lim Su Tong and the cousin of Datuk Loh Kian Chong and Tan Kheng Hwee.

### Dato' Ghazi bin Ishak

*Senior Independent Non-Executive Director*

Dato' Ghazi, aged 74, Male, a Malaysian, was appointed to the Board as an Independent Non-Executive Director on 22 September 2010. He was re-designated as Senior Independent Non-Executive Director on 22 November 2017.

Dato' Ghazi, a lawyer by profession, is a Barrister at Law from Lincoln's Inn London, United Kingdom. He was called to the English Bar in 1971 and joined the Malaysian Government Legal Services upon his return in 1971. He was posted as a Magistrate in Kuala Lumpur and later as Acting President of Sessions Court in Malacca and Kuala Kubu Bahru, Selangor. He was appointed as Deputy Public Prosecutor Penang in 1975 and for a spell acted as State Legal Adviser, Penang.

He resigned from Government Service on 31 December 1976 and joined a legal firm, Messrs Presgrave & Matthews, as a Partner from 1 March 1977 until 1992 when he formed Messrs Ghazi & Lim.

Dato' Ghazi is one of the most prominent litigation lawyers in Malaysia having litigated in landmark Malaysian cases in fields ranging from criminal, commercial, company, banking, construction, constitutional, land law and complex probate and administration matters involving jurisdictions in Australia, Singapore, America and England. He also handles labour, employment and industrial disputes. Dato' Ghazi also advises local authorities and other statutory bodies, including Universiti Sains Malaysia. His corporate experience includes joint venture agreements involving foreign partners.

He is the Chairman of Remuneration Committee and a member of both Audit and Nominating Committees.

He attended all the 5 Board Meetings held in 2017.

Dato' Ghazi does not have any family relationship with any other Director and/or major stockholder of the Company.

## PROFILE OF DIRECTORS/KEY SENIOR MANAGEMENT

### Mary Geraldine Phipps

#### *Independent Non-Executive Director*

Ms. Mary Geraldine Phipps, aged 69, Female, a Malaysian, was appointed to the Board as an Independent Non-Executive Director of the Company on 14 August 2009. She is the Chairman of the Audit Committee, Risk Management Committee and Nominating Committee. She is also a member of Remuneration Committee.

She is a Chartered Accountant registered with the Malaysian Institute of Accountants, having qualified as a Certified Public Accountant under the Malaysian Institute of Certified Public Accountants. In 1992, she became a member of the Malaysian Institute of Taxation and is currently a Fellow of the Malaysian Institute of Taxation.

In 1982, she was made a partner of KPMG, specializing in taxation. In 1990, she was appointed Managing Partner of the Penang practice of KPMG, a position she held until her retirement in December 2004. During this time, she was also a Director of KPMG Tax Services Sdn Bhd. Her expertise is in taxation and her experience in tax advisory and consultancy services covered a diversified range of industries. She was the Tax/Client Partner for multinational clients of KPMG's international offices with manufacturing facilities in Penang.

She currently sits on the Boards of SLP Resources Berhad, PBA Holdings Bhd and Nategate Group Berhad. She is the Chairman of both Audit Committee and Nominating Committee and member of the Remuneration Committee in SLP Resources Berhad. She is also the Chairman of the Audit and Risk Management Committee and member of the Nominating Committee in PBA Holdings Bhd.

She attended all the 5 Board Meetings held in 2017.

She does not have any family relationship with any other Director and/or major stockholder of the Company.

### Lee Kean Teong

#### *Independent Non-Executive Director*

Mr. Lee Kean Teong, aged 59, Male, a Malaysian, was appointed to the Board as an Independent Non-Executive Director on 31 March 2015.

He was with KPMG Malaysia for more than 35 years and was a partner until his retirement on 31 December 2014. He qualified as a Chartered Accountant of Malaysian Institute of Accountants (MIA) and is also a member of Malaysian Institute of Certified Public Accountants (MICPA) and a fellow member of CPA Australia.

He has extensive experience in audit and management consulting throughout his career. He was the engagement partner for a wide range of companies which included public listed companies and multinationals in various industries, mainly in manufacturing, property development and construction, hotel, stock broking and finance.

He is a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Mr. Lee currently sits on the Board of Kian Joo Can Factory Berhad, Advance Information Marketing Berhad and EG Industries Berhad. He is the Chairman of the Audit and Risk Management Committee of Kian Joo Can Factory Berhad. He is the Chairman of the Audit Committee and member of both the Nominating Committee and Remuneration Committee of Advance Information Marketing Berhad. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee of EG Industries Berhad.

He attended all the 5 Board Meetings held in 2017.

He does not have any family relationship with any other Director and/or major stockholder of the Company.

## PROFILE OF DIRECTORS/KEY SENIOR MANAGEMENT

### Sharifah Intan binti S. M. Aidid

#### *Non-Independent Non-Executive Director*

Puan Sharifah, aged 83, Female, a Malaysian, is a Non-Independent Non-Executive Director. She joined the Board on 25 July 2002.

After 20 years in the teaching profession, she took up law in 1980 and was called to the Bar in 1985. She is currently a consultant in Messrs. Lim Huck Aik & Co, Advocates & Solicitors.

She is also a director of Boon Siew Honda Sdn. Bhd., Penang Yellow Bus Company Berhad and Chainferry Development Sdn. Berhad.

She is a member of the Audit Committee, Nominating Committee and Remuneration Committee.

She attended 4 out of 5 Board Meetings held in 2017.

Puan Sharifah does not have any family relationship with any other Director and/or major stockholder of the Company.

### Keiichi Yasuda

#### *Non-Independent Non-Executive Director*

Mr. Keiichi Yasuda, aged 51, Male, a Japanese, was appointed to the Board as a Non-Independent Non-Executive Director on 9 April 2018. He is the representative of Honda Motor Co., Ltd..

Mr. Yasuda graduated from Yokohama National University, Japan in March 1990.

He began his career as Staff Member of Human Resources Department in Honda Motor Co., Ltd. ("Honda Japan") in Tokyo, Japan in April 1990 and was promoted as Assistant Manager in April 1999. In May 1999, Mr Yasuda served his first foreign assignment as Assistant Manager of Honda of America Manufacturing, Inc. in Ohio, U.S.A. for 5 years followed in June 2008 by a second stint of 3 years in Honda Motor India (Private) Ltd. in India as Director. In between these overseas postings, he returned to Honda Japan where he served in different roles with increasing responsibilities in different locations before assuming the position as Deputy General Manager of Global Human Resources Development Center in June 2014. In April 2015, Mr. Yasuda took one of the role as General Manager of Asian Honda Motor Co., Ltd. in Thailand in April 2015 until 31 March 2018.

Mr. Yasuda is the Managing Director & Chief Executive Officer of Boon Siew Honda Sdn. Bhd., a subsidiary of Honda Japan, effective 1 April 2018.

He does not have any family relationship with any other Director and/or major stockholder of the Company.

## PROFILE OF DIRECTORS/KEY SENIOR MANAGEMENT

### Datin Loh Ean

#### *Alternate Director*

Datin Loh Ean, aged 76, Female, a Malaysian, was appointed as an Alternate Director to Dato' Robert Wong Lum Kong, DSSA, JP on 9 September 2010. Datin Loh Ean obtained higher education in England.

She started work in Boon Siew Sdn Bhd since 1965. She is a Director of Boon Siew Credit Berhad, Penang Yellow Bus Company Berhad, NGK Spark Plugs Malaysia Bhd., certain subsidiaries and associated companies of Oriental Holdings Berhad and Boon Siew Sdn Bhd.

She is the spouse of Dato' Robert Wong Lum Kong, DSSA, JP. She is the eldest sister-in-law of Dato' Seri Lim Su Tong and the aunt of Datuk Loh Kian Chong, Dato' Sri Datuk Wira Tan Hui Jing and Tan Kheng Hwee.

### Wong Tet Look, Adrian

#### *Group Chief Financial Officer Key Senior Management*

Wong Tet Look, Adrian, aged 68, Male, a Malaysian, is currently the Group Chief Financial Officer since he assumed the role in 2012 and has since been a part of the Key Senior Management team. He was formerly serving as Corporate Controller for the Group. He is a member of Risk Management Committee. He is also on the Board of Directors of numerous joint venture companies, several subsidiaries within the Group and Kwong Wah Yit Poh Press Berhad.

With over thirty years with the Group, he has had a broad range of operating and management experience in the Group's plantation division, automotive retail & auto parts manufacturing division, hotels & resorts division, investment properties & trading of building material division, plastic division, healthcare division and investment holdings division.

Prior to his career in Oriental Holdings Berhad, he obtained his professional experience with Price Waterhouse & Co. for over seven years in London, Melbourne and Kuala Lumpur.

He is a Fellow Member of the Institute of Chartered Accountants in England and Wales, Associate Member of the Institute of Chartered Accountants, Australia, Malaysian Institute of Accountants and The Chartered Institute of Taxation, Malaysia.

He graduated with Honors in Accounting and Finance from The London School of Economics and Political Science, University of London in 1973.

He does not have any family relationship with any Director and/or major stockholder of the Company.

#### Notes:-

- (a) Conflict of Interest  
None of the Directors/Key Senior Management has any conflict of interest with the Group.
- (b) Convictions of Offences  
None of the Directors/Key Senior Management has been convicted of any offences within the past 5 years. There were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

# NAME OF SUBSIDIARIES AND ASSOCIATES

<b>Automotive and Related Products</b>	<b>AAP</b>	: Armstrong Auto Parts Sdn. Berhad
	<b>ACP</b>	: Armstrong Cycle Parts (Sdn.) Berhad
	<b>ACPV</b>	: Armstrong Component Parts (Vietnam) Co., Ltd (Commenced member's voluntary winding up on 6 February 2017)
	<b>AR</b>	: Armstrong Realty Sdn. Bhd.
	<b>ATS</b>	: Armstrong Trading & Supplies Sdn. Bhd.
	<b>BSB</b>	: Boon Siew (Borneo) Sendirian Berhad
	<b>HM</b>	: Happy Motoring Co. Sdn. Bhd.
	<b>Kah M</b>	: Kah Motor Company Sdn. Berhad
	<b>KBA</b>	: Kah Bintang Auto Sdn. Bhd.
	<b>KC</b>	: Kah Classic Auto Sdn. Bhd.
	<b>KMA</b>	: KM Agency Sdn. Bhd.
	<b>KP</b>	: Kah Power Products Pte. Ltd.
<b>Plastic Products</b>	<b>AI</b>	: Armstrong Industries Sdn. Bhd.
	<b>CC</b>	: Compounding & Colouring Sdn. Bhd.
	<b>DF</b>	: Dragon Frontier Sdn. Bhd.
	<b>KTSM</b>	: Kasai Teck See (Malaysia) Sdn. Bhd.
	<b>LMold</b>	: Lipro Mold Engineering Sdn. Bhd.
	<b>OIW</b>	: Oriental Industries (Wuxi) Co., Ltd.
	<b>OKI</b>	: PT Oriental Kyowa Industries
	<b>ONDE</b>	: Oriental Nichinan Design Engineering Sdn. Bhd.
	<b>OSI</b>	: Oriental San Industries Sdn. Bhd.
<b>Hotels and Resorts</b>	<b>TSP</b>	: Teck See Plastic Sdn. Bhd.
	<b>30Ben</b>	: 30 Bencoolen Pte. Ltd.
	<b>KNZ</b>	: KAH New Zealand Limited
	<b>KAust</b>	: KAH Australia Pty Limited
	<b>Bint</b>	: Bayview International Sdn. Bhd.
	<b>KPCL</b>	: Kingdom Properties Co. Limited
	<b>SBHL</b>	: Silver Beech Holdings Limited
	<b>SBIOM</b>	: Silver Beech (IOM) Limited
	<b>SBO</b>	: Silver Beech Operations UK Limited
	<b>SBL</b>	: Suanplu Bhiman Limited
<b>Plantation</b>	<b>PSH</b>	: Park Suanplu Holdings Co., Ltd.
	<b>ORPO</b>	: Oriental Rubber & Palm Oil Sdn. Berhad
	<b>PT BSSP</b>	: PT Bumi Sawit Sukses Pratama
	<b>PT DAM</b>	: PT Dapo Agro Makmur
	<b>PT GBina</b>	: PT Gunungsawit Binalestari
	<b>PT GML</b>	: PT Gunung Maras Lestari
	<b>PT GSSL</b>	: PT Gunung Sawit Selatan Lestari
	<b>PT PPA</b>	: PT Pratama Palm Abadi
	<b>PT SAP</b>	: PT Surya Agro Persada
	<b>PT SSL</b>	: PT Sumatera Sawit Lestari

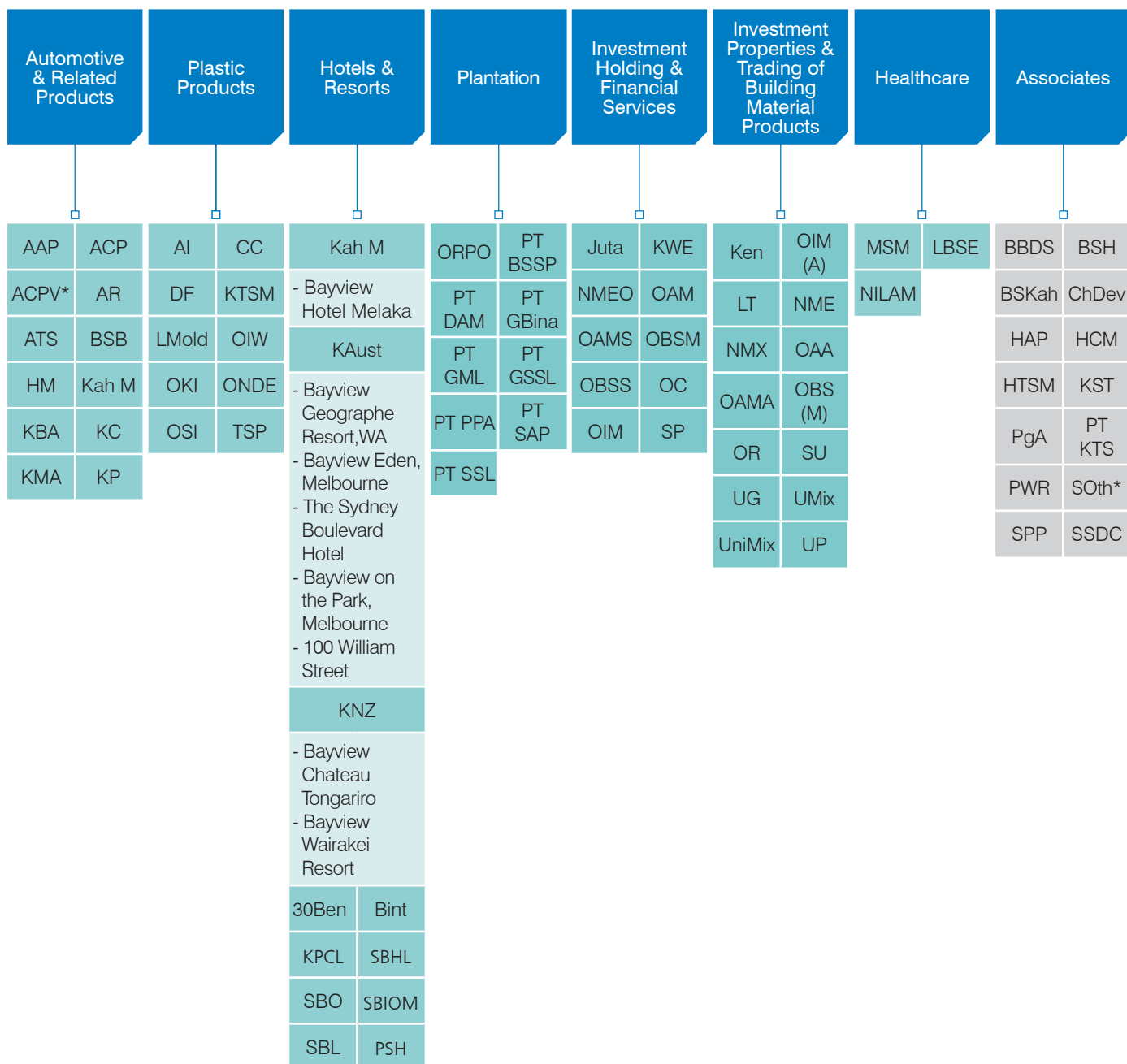
## NAME OF SUBSIDIARIES AND ASSOCIATES

<b>Investment Holding and Financial Services</b>	<b>Juta</b>	: Jutajati Sdn. Bhd.
	<b>KWE</b>	: Kwong Wah Enterprise Sdn. Bhd.
	<b>NMEO</b>	: North Malaya Engineers Overseas Sdn. Bhd.
	<b>OAM</b>	: Oriental Asia (Mauritius) Pte. Ltd.
	<b>OAMS</b>	: OAM Asia (Singapore) Pte. Ltd.
	<b>OBSM</b>	: Oriental Boon Siew (Mauritius) Pte. Ltd.
	<b>OBSS</b>	: OBS (Singapore) Pte. Ltd.
	<b>OC</b>	: Syarikat Oriental Credit Berhad
	<b>OIM</b>	: Oriental International (Mauritius) Pte. Ltd.
	<b>SP</b>	: Selasih Permata Sdn. Bhd.
<b>Investment Properties and Trading of Building Material Products</b>	<b>Ken</b>	: Kenanga Mekar Sdn. Bhd.
	<b>LT</b>	: Lipro Trading Sdn. Bhd.
	<b>NME</b>	: North Malaya Engineers Trading Company Sdn. Berhad
	<b>NMX</b>	: North Malaya (Xiamen) Steel Co., Ltd.
	<b>OAA</b>	: Oriental Asia (Aust.) Pty. Ltd.
	<b>OAMA</b>	: OAM (Aust) Pty. Ltd.
	<b>OBS (M)</b>	: Oriental Boon Siew (M) Sdn. Bhd.
	<b>OIM (A)</b>	: OIM (Aust) Pty. Ltd.
	<b>OR</b>	: Oriental Realty Sdn. Bhd.
	<b>SU</b>	: Simen Utara Sdn. Bhd.
	<b>UG</b>	: Ultra Green Sdn. Bhd.
	<b>UMix</b>	: Unique Mix (Penang) Sdn. Bhd.
	<b>UniMix</b>	: Unique Mix Sdn. Bhd.
	<b>UP</b>	: Unique Pave Sdn. Bhd.
<b>Healthcare</b>	<b>LBSE</b>	: Loh Boon Siew Education Sdn. Bhd.
	<b>MSM</b>	: Melaka Straits Medical Centre Sdn. Bhd.
	<b>NILAM</b>	: Nilam Healthcare Education Centre Sdn. Bhd.
<b>Associates</b>	<b>BBDS</b>	: Bukit Batok Driving Centre Ltd.
	<b>BSH</b>	: Boon Siew Honda Sdn. Bhd.
	<b>BSKah</b>	: B. S. Kah Pte. Ltd.
	<b>ChDev</b>	: Chainferry Development Sdn. Berhad
	<b>HAP</b>	: Honda Autoparts Manufacturing (M) Sdn. Bhd.
	<b>HCM</b>	: Hitachi Construction Machinery (Malaysia) Sdn. Bhd.
	<b>HTSM</b>	: Hicom Teck See Manufacturing Malaysia Sdn. Bhd.
	<b>KST</b>	: Kasai Teck See Co., Ltd.
	<b>PgA</b>	: Penang Amusements Company Sdn. Berhad
	<b>PT KTS</b>	: PT Kasai Teck See Indonesia
	<b>PWR</b>	: Penang Wellesley Realty Sdn. Berhad
	<b>SPP</b>	: Southern Perak Plantations Sdn. Berhad
	<b>SOth</b>	: Super Othello Sdn. Bhd. (Commenced member's voluntary winding up on 23 October 2017)
	<b>SSDC</b>	: Singapore Safety Driving Centre Ltd.

# GROUP STRUCTURE

AS AT 31 DECEMBER 2017

## ORIENTAL HOLDINGS BERHAD



SUBSIDIARIES ASSOCIATES

\* Under member's voluntary winding up.

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report together with the Audited Financial Statements of Oriental Holdings Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2017.

## FINANCIAL PERFORMANCE

The Group has recorded a commendable performance for the financial year ended 31 December 2017 with a revenue of RM6.3 billion and a profit before tax of RM518.9 million as compared to a revenue of RM5.5 billion and a profit before tax of RM387.1 million for the preceding year. Automotive and Plantation segments led the contribution by 74% and 11% to the consolidated revenue respectively.

The net tangible assets per share of the Group increased from RM9.46 to RM9.76, primarily due to the strengthening of stockholders' funds.

A detailed review of the performance and results of the Group's major segments is set forth under the Management Discussion and Analysis in this Annual Report.

## RETURN TO STOCKHOLDERS AND VALUE CREATION (DIVIDEND)

Consistent with our approach of rewarding stockholders and taking into due consideration the strong performance in FY2017, the Board is pleased to recommend a final single tier dividend of 8 sen per ordinary stock and a special final single tier dividend of 20 sen per ordinary stock for this financial year. Combined with the first and second interim dividend of 6 sen per ordinary stock each paid on 9 November 2017 and 6 April 2018 respectively, this brings dividend for FY2017 to 40 sen per ordinary stock.

The Board will endeavor to pay a reasonable dividend each year and regularly reviews the distribution to stockholders vis-à-vis the overarching Group business strategy in order to strike a balance between the interests of stockholders and business growth. The Board believes that the dividend record to-date will provide the Group with a sustainable future. The total dividend payout to-date represents more than 62.82% of the profit after tax after non-controlling interest. In FY2016, we paid 20 sen per ordinary stock.

An annual analysis demonstrated that a holding of 1,000 stocks in Oriental at its initial public listing in 1964 would translate into 48,306 Oriental stocks worth RM316,404, based on the stock price of RM6.55 at end of FY2017. In addition, the stocks would have earned a total gross dividend of RM209,478.62. The gross dividends received and appreciation in value is equivalent to an impressive average rate of return of 12.30% for each of the 54 years.

## OUTLOOK & FUTURE STRATEGIES

Moving forward, the Group will continue its focus on expanding the Automotive and Plantation segments, while growing the Healthcare segment and further diversifying into investment properties abroad to provide long-term income streams in future.

While the overall market climate is one of cautious optimism, the Board is confident that a disciplined focus on its core industries coupled with strategic initiatives to grow fledgling segments will see the Group deliver another year of positive results.

## ACKNOWLEDGEMENT AND APPRECIATION

We all share a common goal to create an even brighter future for the Group and on behalf of the Board, I would like to express my heartfelt appreciation to the Oriental family, including the management team and all employees, for their unrelenting efforts and commitment to the growth and continued success of our Group.

To our stockholders, customers, longstanding business partners and the regulatory authorities, we also extend a big "Thank you" for your unyielding confidence, support, loyalty and assistance.

Lastly, I hereby express my heartfelt gratitude to my fellow Board members for their invaluable support and guidance throughout 2017. Let's all work together for a better 2018.

**Datuk Loh Kian Chong**  
**Executive Chairman**  
9 April 2018



# MANAGEMENT DISCUSSION AND ANALYSIS

## - AUTOMOTIVE DIVISION

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS INCLUDING OBJECTIVES & STRATEGIES

The main business activity of the Group's Automotive division involves the distribution and retailing of Honda cars and spare parts, as well as subsequent diversification to Mitsubishi marque at the end of 2014.

We are the exclusive distributor of Honda cars in both Singapore and Brunei Darussalam. Kah Motor Malaysia currently operates eight out of 88 Honda dealerships in Peninsular Malaysia and another dealership in Sabah. Kah Motor Malaysia currently owns one 1S ("showroom") centre, one 2S ("service and body & paint") centre, six 3S ("showroom, service and spare parts") centres and two 4S ("showroom, service, spare parts and body & paint") centres. Kah Motor's branch in Singapore has two showrooms, six service centres and two body & paint centres while Happy Motoring Co. Sdn. Bhd., a subsidiary of Kah Motor boasts two showrooms, a service centre and a spare parts centre in Brunei under its name.

Kah Classic Auto Sdn Bhd ("KCA") is currently a dealer of Mitsubishi Motor Malaysia Sdn Bhd focusing on sales and servicing of Mitsubishi-branded vehicles through its two main outlets.

The Automotive Manufacturing division leverages on strong collaboration with our technical partners to provide specialised automotive parts to both Original Equipment Manufacturer ("OEM") and Replacement Equipment Manufacturer ("REM") markets.

The division's objective is to become the top automobile retailing company in the region by setting industry standards for customer satisfaction and cost effectiveness. Through a relentless commitment to innovation and enhancements in productivity, we strive to provide our customers with top-notch products and services at competitive price levels.

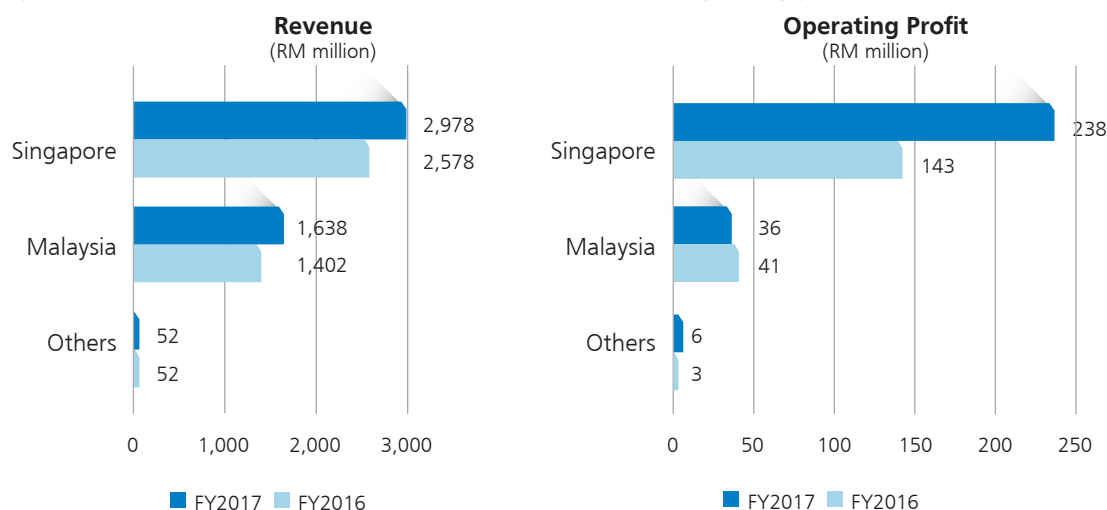
### DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS & CONDITIONS

The Automotive division recorded a total revenue of RM4.7 billion in FY2017 compared to RM4.0 billion in FY2016. Revenue contributions from retail operations in Singapore accounted for 63.8% of total revenue, while the remaining 36.2% came from operations in Malaysia and Brunei.

Retail operations in Singapore saw a 15.5% growth in revenue despite a marginal increase by just 1.4% in the number of cars sold. Significant growth was recorded for certain models such as Honda City, Civic and HRV. While in FY2016, number of cars sold attributable from clearance of non-Euro VI models due to enticing savings from a lower Certificate of Entitlement ("COE") cost and increased discounts offered to buyers.

Where retail operations in Malaysia are concerned, sales units increased by 21.5% (FY2017: 12,943 units; FY2016: 10,649 units) thanks in part to the newly launched BR-V, CR-V and Civic models during the year as well as the opening of the largest 4S centre in the country (located in Johor Bahru) since November 2016, which likely attracted more visitors.

A summary of the financial results of the Automotive division for the corresponding periods are as follows:



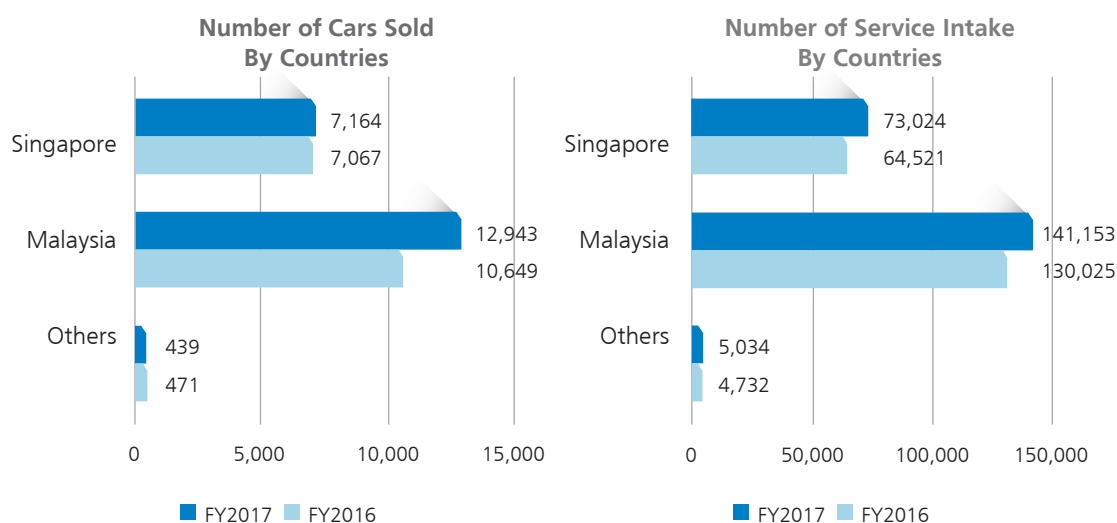
# MANAGEMENT DISCUSSION AND ANALYSIS

## - AUTOMOTIVE DIVISION

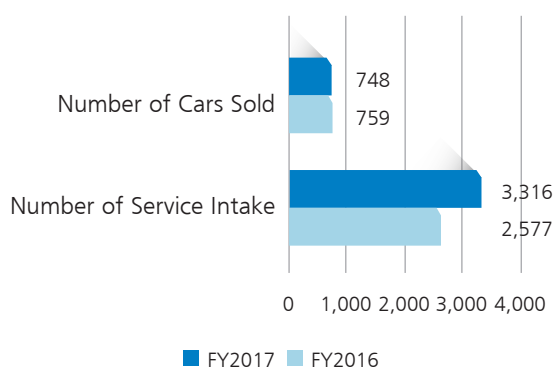
### DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS & CONDITIONS (cont'd)

A summary of the number of cars sold and service intake of the Automotive division for the corresponding periods are as follows:

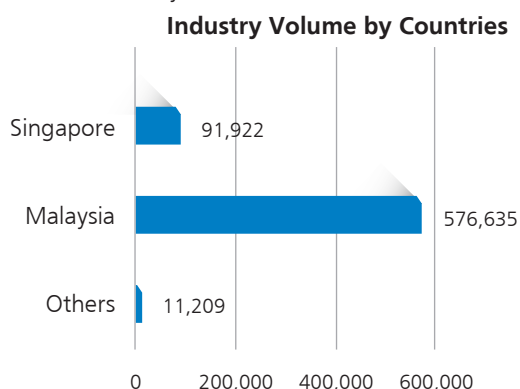
#### Honda Brand



#### Mitsubishi Brand (Malaysia)



The market share analysis for Financial Year 2017 are as follows:



#### Honda Market Share

Singapore: 17.4%  
 Malaysia: 19.0%  
 Brunei: 3.9%

#### Mitsubishi Market Share

Malaysia: 1.2%

## MANAGEMENT DISCUSSION AND ANALYSIS

### - AUTOMOTIVE DIVISION

#### DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS & CONDITIONS (cont'd)

##### **OHB Group Market Share over Honda Market Share**

Singapore: 44.7%

Malaysia: 11.8%

Brunei: 100%

##### **OHB Group Market Share over Mitsubishi Market Share**

Malaysia: 10.6%

#### **REVIEW OF OPERATING ACTIVITIES & DISCUSSION OF MAIN FACTORS THAT MAY AFFECT THE OPERATING ACTIVITIES**

We envisage less than inspiring market conditions ahead, with the automotive division likely to face fierce market competition due to external factors such as rising costs of living and volatility of the ringgit. Nevertheless, we will endeavour to maintain our standing in the market. Over the past year, we have been continuously expanding and upgrading our showrooms and service centres. We have also strengthened efforts to boost our presence in East Malaysia.

In addition, plans are being made to upgrade Puchong, Selayang, Ipoh and Sabah outlets from current 3S to 4S centres by including body and paint services.

In August 2017, KCA discontinued its Jalan Tunku Abdul Rahman outlet. It currently operates its Jalan Ipoh branch as a 3S ("showroom, service & spare parts") centre and another boutique showroom in Bangsar as a dealer of Mitsubishi cars.

In terms of capital expenditure, the division spent a total of RM20.2 million in FY2017 as compared to RM34.4 million in the previous financial year. The capital expenditure was primarily incurred on expansion and upgrades made to showrooms and service centres with the objective of improving its sales and after-sales service network throughout Malaysia.

#### **DISCUSSION OF ANY ANTICIPATED OR KNOWN RISKS THAT THE GROUP IS EXPOSED TO**

The volatility and fluctuation of currency risk is a considerable factor, which may result in higher vehicle costs, thus impacting an already compressed gross profit margin.

#### **FORWARD-LOOKING STATEMENT**

A gloomy outlook for the automobile market is expected in 2018 with this phenomenon likely to persist throughout the year. However, we trust that with extensive preparatory efforts put in place, our business principals shall continue to introduce attractive and sellable models that will resonate in the market.

The Singapore Government has announced adoption of a new Vehicular Emissions Scheme (VES) from Carbon Emissions-Based Vehicle Scheme (CEVS); lower COE quota is also on the cards due to implementation of COE zero-growth rate with effect from February 2018.

Honda Malaysia announced that it is optimistic about leading the nation's automotive industry forward in 2018 with a target of 109,000 combined sales units, from the introduction of HRV Facelift and Odyssey Facelift. Ideally, this would translate to a market share of 18% against the projected 2018 Total Industry Volume (TIV) of 600,000 units.

To further enhance market positioning and our portfolio's attractiveness to customers, the management will also focus on expanding the reach of its sales and after-sales service networks and improving overall service quality levels offered, to support the heightening demand.

Setting our sights further ahead, we shall continue to pursue customer satisfaction as a key prerogative. This will be an indispensable step to fulfilling our vision of building long-term partnerships with customers, through efficient and effective operations.

# MANAGEMENT DISCUSSION AND ANALYSIS

## - PLANTATION DIVISION

### OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS INCLUDING OBJECTIVES AND STRATEGIES

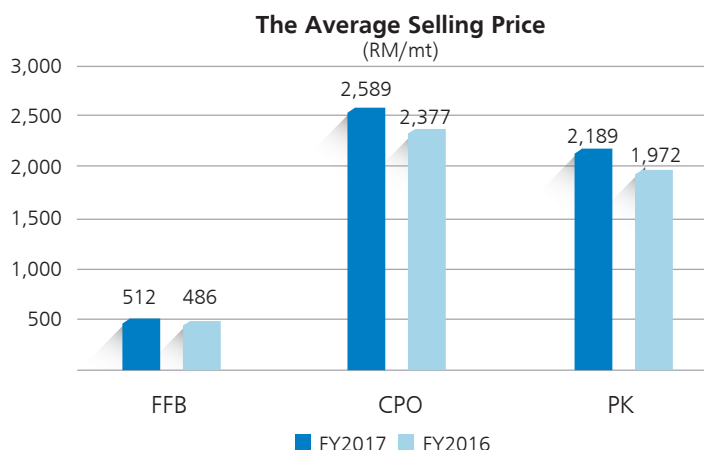
OHB Group first ventured into Plantation division in 1965 with the acquisition of its first plantation company in Malaysia. Subsequently, in 1994, the Group further diversified into Indonesian plantations, with the acquisition of 20,000 hectares of concession plantation land in Bangka Island, thus marking its plantation division's first foray into the overseas market.

The Group commissioned its first Crude Palm Oil (CPO) mill in Pulau Bangka, Indonesia in Year 1999 followed by second CPO mills in Year 2003 in line with rapid increase in Fresh Fruit Bunches (FFB) production in Indonesia. The recent oil mill commissioned in Year 2016, making up a total of 3 CPO mills in Pulau Bangka, has enabled the Group to process 529,483 mt per annum of FFB. Preparations are currently underway for the construction of the fourth oil mill, the first in South Sumatra, Indonesia, in anticipation of rising FFB output in the Years 2020 to 2022 from our prime/young trees in South Sumatra. This oil mill is targeted to be commissioned in Year 2019.

As of 31 December 2017, the Group's plantation land bank concession stands close to 95,516 hectares, of which 39,082 hectares have been planted with oil palm trees. About 90,551 hectares are in Indonesia (Pulau Bangka and South Sumatra) while the remaining 4,965 hectares are located in Malaysia (in Pahang and Negeri Sembilan). The Division currently has a matured area of 31,190 Ha.

### DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND CONDITIONS

For FY2017, the Group's plantation division reported a higher revenue of RM716.6 million as compared to RM498.1 million for FY2016, attributed to the increase in FFB, CPO and Palm Kernel (PK) selling prices. The Group's plantation division financial performance recovered strongly in FY2017 with operating profit of RM113.6 million, a 44.9% rise from the preceding year's RM78.4 million. RM102.7 million or 90.4% of the operating profit was from Indonesian Operations on the back of a strong revenue of RM675.9 million generated. The stronger performance was driven by the higher commodities selling price coupled with higher FFB production, in line with the recovery in crop production from the end of the lagged effect of the El Nino phenomenon.



The Group's estates produced a total of 611,798 MT of FFB, an increase of 14.6% compared to 533,777 MT for the preceding year. This was mainly due to a higher yield - FFB yield per hectare of 19.61 MT/Ha in FY2017 compared to 17.26 MT/Ha in FY2016.

In FY2017, the plantation recorded an unrealised foreign exchange loss of RM42.9 million compared with unrealised foreign exchange gain of RM11.2 million in FY2016 attributable to strengthening of Japanese Yen for its yen-denominated borrowings for its Indonesian Operations.

For capital expenditure, the division spent a total of RM120.0 million in FY2017 compared to RM139.9 million in the preceding year. The capital expenditure consisted mainly of the development of its Indonesian Operations, including new planting and replanting of oil palms, construction of staff quarters, and acquisition of agricultural equipment and vehicles. In FY2018, total capital expenditure to be incurred for new planting, construction of office and construction of fourth oil mill is expected to reach around RM156.1 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### - PLANTATION DIVISION

#### REVIEW OF OPERATING ACTIVITIES & DISCUSSION ON MAIN FACTORS THAT MAY AFFECT THE OPERATING ACTIVITIES

The Group's 3 palm oil mills in Indonesia, with a combined operating capacity of 240 metric tonnes per hour, processes its own estates' crops as well as crops purchased from smallholders, FFB traders and other third party estates.

Total FFB processed by its 3 mills was 529,483 tonnes in FY2017, an increase of 12.8% compared to 469,568 tonnes in FY2016. The increase in FFB processed is mainly attributed to more palms attaining maturity, contributing better harvest from our plantation estates. 43.9% of the total FFB processed during the year was from purchase of crops from third parties. In FY2017, average CPO and PK extraction rates stood at 19.73% and 5.14% respectively, increasing by 1.9% and 1.6% compared with 19.36% and 5.06% achieved in FY2016. Higher extraction rates was due to the better quality of FFB, as a result of better absorption of fertilizers from improved rainfall.

A total of 444 hectares of oil palms were replanted in FY2017 compared against 473 hectares in FY2016 for Malaysian plantations. Moving forward, our strategy for the year 2018 is to replant 239 hectares. As for new planting activities in Indonesia, we have planted 9,350 hectares to date and target to plant about 1,000 to 2,000 hectares each year over the next two years. All the replanting activities will be carried out in a sustainable manner and in accordance with environmental-friendly, zero burning policy.

#### DISCUSSION OF ANY ANTICIPATED OR KNOWN RISKS THAT THE GROUP IS EXPOSED TO

The plantation division faced numerous challenges in recent years. Besides unfavourable weather conditions caused by the haze and El Nino, other factors include the unstable Ringgit coupled with price volatility of commodities, intensified competition from substitutes, and rising operational costs, notably that of fuel, fertilisers and chemicals. Socio-political factors such as external political disruptions, social disorder, cross border and country risks as well as labour shortages in estates also affected the division.

As the Group remains mindful that its plantation division operates under challenging weather conditions and periodic labour shortages which eventually translate to financial loss for the Group, mitigation measures were taken to address these challenges. We placed emphasis on managing costs and yield improvement through better agronomic administration, reorganising harvesting operations, optimising usage of vehicles to reduce labour dependency and quality control for field works. As a commodity operator, we abide by good management practices and all of our activities are guided by the firm commitment to contribute to a better society, with environmental awareness as a top-of-mind priority.

#### STRATEGIES

As the Group continues to pursue its business in Indonesia, we strive to further consolidate plantation operations with a critical review of its current land bank, and strengthen our focus on expansion of planted hectarage via acquiring planted areas and plantation companies which fit our technical specifications and affordability requirements. Besides, we are dedicated to enhancing and improving the technical skills and capabilities of our staff through regular trainings as part of efforts to further enhance our Group's strengths in the long term.

#### FORWARD-LOOKING STATEMENT

As weather conditions improved with the El Nino tapering off in 2017, our Group is optimistic that the Group's FFB production will continue to produce a satisfactory result in 2018. The addition of newly-mature areas, coupled with the ongoing progress of existing mature areas into higher yielding brackets will be the growth drivers for our plantation division in Indonesia.

# MANAGEMENT DISCUSSION AND ANALYSIS

## - PLANTATION DIVISION

### PLANTATION STATISTICS

#### The Group's Estate Production, Yield and Operating Profit Per Matured Hectare Records

	FY2017	FY2016	Variance (%)
<b>Production (mt)</b>			
<b>Malaysian Operations</b>			
FFB	58,408	48,147	21.3%
<b>Indonesian Operations</b>			
FFB	553,390	485,630	14.0%
<b>Total FFB</b>	<b>611,798</b>	<b>533,777</b>	<b>14.6%</b>
<b>Yield Per Matured Hectare (mt)</b>			
Malaysian Operations	17.15	13.42	27.8%
Indonesian Operations	19.92	17.76	12.2%
<b>Group</b>	<b>19.61</b>	<b>17.26</b>	<b>13.6%</b>
<b>Operating Profit Per Matured Hectare (RM)</b>			
Malaysian Operations	3,219	2,932	9.8%
Indonesian Operations	3,695	2,483	48.8%
<b>Group</b>	<b>3,643</b>	<b>2,535</b>	<b>43.7%</b>

#### The Group's Production Records of 3 Palm Oil Mills

	FY2017	FY2016	Variance (%)
<b>Indonesian Operations</b>			
<b>FFB processed (mt)</b>			
Own Estates	529,483	469,568	12.8%
External	413,814	269,924	53.3%
<b>Total</b>	<b>943,297</b>	<b>739,492</b>	<b>27.6%</b>
<b>CPO production (mt)</b>	186,144	143,196	30.0%
<b>PK production (mt)</b>	48,482	37,452	29.5%
<b>Extraction rates (%)</b>			
CPO	19.73	19.36	1.9%
PK	5.14	5.06	1.6%

# MANAGEMENT DISCUSSION AND ANALYSIS

## - PLANTATION DIVISION

### PLANTATION STATISTICS (cont'd)

#### Distribution by Country and Level of Maturity of the Group's Planted Areas (hectares)

Malaysian Operations	FY2017	FY2016
	Ha	Ha
Matured	3,405	3,587
Immature	1,420	1,253
<b>Planted</b>	<b>4,825</b>	<b>4,840</b>
Buildings, roads, etc.	140	125
<b>Land bank</b>	<b>4,965</b>	<b>4,965</b>

Indonesian Operations	FY2017	FY2016
	Ha	Ha
Matured	27,785	27,340
Immature	6,472	6,323
<b>Planted</b>	<b>34,257</b>	<b>33,663</b>
Plantable	53,868	53,693
Buildings, roads, etc.	2,426	1,056
<b>Land bank</b>	<b>90,551</b>	<b>88,412</b>
<b>Total Group Planted</b>	<b>39,082</b>	<b>38,503</b>
<b>Total Group Land Bank</b>	<b>95,516</b>	<b>93,377</b>

#### Distribution by Age Profile of the Group's Oil Palms:

Malaysian Operations	FY2017		FY2016	
	Ha	%	Ha	%
Young (4 to 7 years)	766	23%	504	14%
Prime (8 to 18 years)	286	8%	556	16%
Mature (More than 18 years)	2,353	69%	2,527	70%
<b>Total Matured Planted</b>	<b>3,405</b>	<b>100%</b>	<b>3,587</b>	<b>100%</b>

Indonesian Operations	FY2017		FY2016	
	Ha	%	Ha	%
Young (4 to 7 years)	5,890	21%	6,443	24%
Prime (8 to 18 years)	4,695	17%	6,608	24%
Mature (More than 18 years)	17,200	62%	14,289	52%
<b>Total Matured Planted</b>	<b>27,785</b>	<b>100%</b>	<b>27,340</b>	<b>100%</b>
<b>Total Group Matured Planted</b>	<b>31,190</b>	<b>100%</b>	<b>30,927</b>	<b>100%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## - HOTELS & RESORTS DIVISION

### OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS INCLUDING OBJECTIVES & STRATEGIES

The Hotels & Resorts Division owns 10 operating units, including one in Malaysia and nine other overseas-based units. Bayview Hotel Malacca is located in Malaysia while the remaining 9 hotels and resorts located overseas are 30 Bencoolen (Singapore); Chateau Tongariro Hotel and Wairakei Resort Taupo (New Zealand); The Sydney Boulevard Hotel, Bayview Eden, Bayview On The Park and Bayview Geographe Resort (Australia); Somerset Park Suanplu (Thailand) and Thistle Holborn The Kingsley Hotel (United Kingdom).

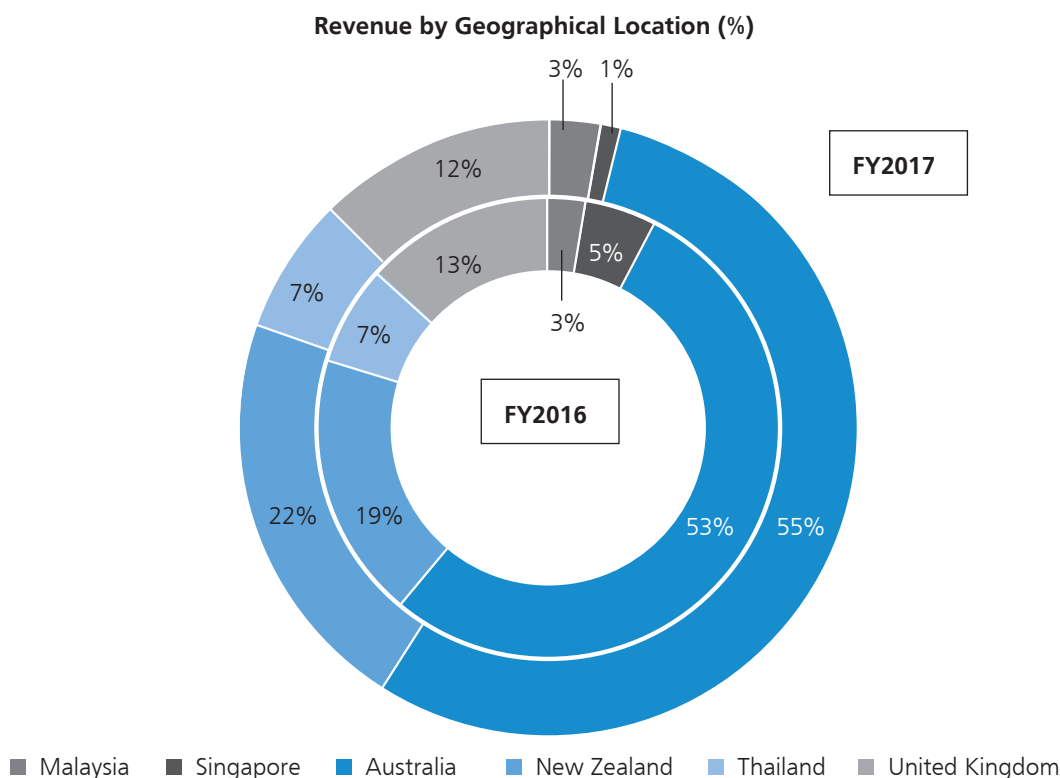
OHB operates all hotels and resorts on its own with the exception of Somerset Park Suanplu (managed by The Ascott Limited) and Thistle Holborn The Kingsley Hotel (managed by Guoman). Also under its portfolio, Bayview hotels and resorts worldwide are managed by Bayview International Sdn Bhd which oversees operations, marketing and promotion activities.

The division's vision is to become a preferred brand for guests through providing a warm, personalised experience with each stay.

Previously known as Bayview Hotel Singapore before its rebranding, 30 Bencoolen was launched on 28 October 2017 after a one-year transformation that cost SGD 20 million. It is the first hotel in Singapore to offer smart in-room solutions as well as family rooms with two ensuite bathrooms. Centrally located within the vibrant Arts & Cultural district in downtown Singapore, 30 Bencoolen combines comfort and convenience that will win the hearts of the most discerning business and leisure travellers. The prime destination is also within walking distance of three MRT stations and boasts easy access to international transport hub Changi Airport Singapore as well as Suntec City Convention Centre and Singapore EXPO Convention Centre. In Australia, we expect the renovated rooms in Bayview Eden and newly renovated villas with new fittings in Bayview Geographe Resort to further enhance the Group's competitiveness in the market.

### DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS & CONDITIONS

The hospitality segment recorded a revenue of RM302.7 million, an increase of RM20.4 million (7.2%) compared with RM282.3 million for FY2016. This can be attributed to higher revenue from rooms division in Australia, New Zealand and Thailand.





## MANAGEMENT DISCUSSION AND ANALYSIS

### - HOTELS & RESORTS DIVISION

#### DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS & CONDITIONS (cont'd)

The operating profit for FY2017 stands at RM59.9 million, an increase of RM28.1 million (88.4%) compared to RM 31.8 million in FY2016. This higher operating profit was driven by higher average occupancy rates, higher revenue from food and beverage division and foreign exchange year-end translation gains of RM5.0 million. Meanwhile, the operating profit for FY2016 was affected by building improvement written off totalling RM6.1 million following the renovation works at Somerset Park Suanplu. The occupancy rate for 10 hotels and resorts grew to 71% from 70% in FY2016.

Hotels	Location	Star Rating	Managed by	Occupancy Rate	
				FY2017	FY2016
Bayview Hotel Malacca	Malaysia	4 Star	Bayview International Sdn Bhd	58%	49%
30 Bencoolen	Singapore	4 Star	Bayview International Sdn Bhd	60%	88%
The Sydney Boulevard Hotel	Australia	4 Star	Bayview International Sdn Bhd	91%	89%
Bayview Eden	Australia	4 Star	Bayview International Sdn Bhd	73%	65%
Bayview On The Park	Australia	4 Star	Bayview International Sdn Bhd	78%	76%
Bayview Geographe Resort	Australia	4 Star	Bayview International Sdn Bhd	60%	57%
Chateau Tongariro Hotel	New Zealand	4 Star	Bayview International Sdn Bhd	72%	66%
Wairakei Resort Taupo	New Zealand	4 Star	Bayview International Sdn Bhd	56%	52%
Somerset Park Suanplu	Thailand	4 Star	The Ascott Limited	82%	79%
Thistle Holborn The Kingsley Hotel	United Kingdom	4 Star	Guoman	79%	82%

#### REVIEW OF OPERATING ACTIVITIES & DISCUSSION ON MAIN FACTORS THAT MAY AFFECT THE OPERATING ACTIVITIES

The management will monitor and ensure that renovation works were carried out as scheduled so that renovated rooms could be put back into the inventory for sale.

To keep disturbance to a minimum during renovation works, the management made sure ongoing works adhered to strict guidelines where noise and dust levels were concerned, through restricting access of renovation areas from in-house guests and managing guest concerns in general.

The division focused efforts on controlling operation costs effectively especially during low season, and managed the availability of rooms efficiently to gain better yield.

The division also spent a total of RM71.6 million in its capital expenditure in FY2017. The capital expenditure incurred was primary for its renovation of 30 Bencoolen together with renovated rooms and villas in Australia to increase our competitive performance in the industry.

## MANAGEMENT DISCUSSION AND ANALYSIS

### - HOTELS & RESORTS DIVISION

#### DISCUSSION OF ANY ANTICIPATED OR KNOWN RISKS THAT THE GROUP IS EXPOSED TO

To counter the increase in supply of more new hotel rooms in Melaka, Bayview Hotel Melaka implemented aggressive marketing strategies such as using attractive promotions and packaging to appeal to guests.

The division will continue monitoring the performance of managing agents for Somerset Park Suanplu and Thistle Holborn The Kingsley Hotel so that these properties remain strong in their outlook and day-to-day operations, and continue to maintain decent returns.

To ease the dilemma of manpower shortages, the division has been actively taking efforts to improve employee recognition and motivation by offering staff incentive programmes, benefits and training opportunities while creating a positive work environment.

#### FORWARD-LOOKING STATEMENT

The overall outlook for the leisure and hospitality industry is expected to remain highly competitive amid slower economic conditions in both domestic and overseas markets.

In Malaysia, numerous initiatives undertaken by the Tourism Malaysia throughout the year to boost tourist arrivals are also expected to energize the industry's outlook. Looking ahead, we aim to drive revenues by investing in a more user-friendly website to attract guests and exploring other income streams, including ways to increase guests' consumption of food and beverage. We also aim to increase operational efficiencies by implementing cost saving measures, reducing wastage and improving staff efficiency levels.

Besides planned major refurbishments, about 3-4% of revenue per year would be reserved for capital expenditure on replacement and repair of furniture, fittings and equipment, to ensure the properties remain in optimum condition at all times.

# MANAGEMENT DISCUSSION AND ANALYSIS

## - HEALTHCARE

### OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS INCLUDING OBJECTIVES & STRATEGIES

The Healthcare Division was launched following the acquisition of a nursing (Nilam) college in Melaka in April 2011 and the construction of the Medical Hub in August 2012 on the Oriental Group's reclaimed land at Klebang, Melaka. The Medical hub was officially launched on 31 January 2015 as Oriental Melaka Straits Medical Centre ("OMSMC"). OMSMC is a 300-bedded medical hub comprising an eight (8) level medical establishment sited at the beach area of Klebang, just 10 minutes from the city centre. Besides offering a wide range of healthcare disciplines, the medical hub also provides specialised care via its diagnostic centre, operating rooms, interventional imaging services, in-house laboratory, pharmacy services, dialysis centre and rehabilitation centre.

At OMSMC, the division's Vision is to be a leading centre for value-based, high quality healthcare in the region. The dedicated team of medical and support staff - professional consultants from a wide range of specialties - are ready to assist patients with quality care and heartfelt service. Committed to its dictum **"Wholeheartedly, We.C.A.R.E & Love"**, it strives to bring quality and trusted healthcare services to patients, the community as well as both local visitors and foreign tourists. Not only does OMSMC care by serving its patients passionately, it also harnesses efforts to give back to the community through helping the public attain better health. Another significant role it plays is offering quality medical training and education to meet the demands of healthcare facilities through its healthcare division Nilam college.

### DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS & FINANCIAL CONDITIONS

The division is undergoing an active phase of growth with the objectives of increasing its patient capacity; providing greater comfort for patients seeking treatment as well as to develop other healthcare facilities. During the year, the division recorded an increase in revenue of 71.0% to RM54.3 million against RM31.8 million recorded in the previous financial year. Operating loss decreased to RM15.9 million compared to RM20.6 million in the previous financial year, which was mainly due to start-up losses at the initial stage of operations.

The improvement in revenue came from the good performance with increasing numbers in patient and consultants. The division registered yearly positive growth and progressively ramps up to gain operating leverage.

EBITDA improved by 85.9% from negative RM6.6 million in FY2016 to negative RM0.9 million. It targets to achieve a positive EBITDA by the year 2018.

#### Key Indicators

	FY2017	FY2016	Variance (%)
Revenue (RM'000)	54,292	31,757	71.0
Number of beds (operational)	106	86	23.3
Medical consultants	41	38	7.9
No. of inpatients	8,389	5,032	66.7
No. of outpatients	79,541	50,141	58.6
Number of student intake	109	105	3.8

## MANAGEMENT DISCUSSION AND ANALYSIS

### - HEALTHCARE

#### REVIEW OF OPERATING ACTIVITIES & DISCUSSION ON MAIN FACTORS THAT MAY AFFECT THE OPERATING ACTIVITIES

After three years of operation, OMSMC managed to bolster its branding and image, thereby getting strong response as a new player in Melaka. This also helped to shape and enhance OMSMC's position as a centre of excellence for reliable and affordable healthcare. OMSMC successfully received a full four-year accreditation for Malaysia Society for Quality in Health ("MSQH") in FY2016 and holds the distinction of being the only medical centre that is equipped to perform bariatric surgery in Southern Malaysia.

While the healthcare industry in Malaysia is highly competitive, competition is expected to increase further as existing private hospitals expand, and new hospitals develop. To address competition, the division will strengthen its position by enhancing brand awareness and active differentiation by positioning as a patient-centered hospital geared towards sustainable growth. Apart from providing quality patient care, the division will continue to:

- actively promote and participate in health-related events in local and international community for example charity run, visitation to Old Folk Homes and Orphanage, Pink October, Health Talks and Forums;
- position itself as a medical centre that not only provides treatment but also promotes healthy lifestyle through the Pro-Health initiatives and activities;
- improve through innovation to provide better and faster service to the patients;
- recruit, develop, grow and retain talents, with necessary competence, attitudes and skillsets;
- promote ongoing culture of quality improvement and patient safety; and
- adopt or increase advanced medical technologies or system to further improve quality care for the patients.

For capital expenditure, the division spent a total of RM5.5 million in FY2017 as compared to RM3.6 million in the previous financial year. Capital expenditure incurred was primarily for the renovation of future inpatient wards and additional medical equipment for new disciplines and services, which are planned for 2018 and beyond.

#### DISCUSSION OF ANY ANTICIPATED OR KNOWN RISKS THAT THE GROUP IS EXPOSED TO

Competition among hospitals for patients; better services, doctors and competent staff recruitment continue to be intense for the industry. Thus, the division will continue to build a core team focusing on talent management and aggressive marketing to create brand awareness. Currently there are 4 private hospitals in Melaka and there are no immediate plans to set up other new private hospitals.

#### FORWARD-LOOKING STATEMENT

The Malaysian healthcare sector has seen remarkable growth in recent years. Malaysia, as one of Asia's most recognised developing countries, holds immense potential as the preferred healthcare destination for visitors from around the world.

We anticipate a rapidly ageing population, resulting in increasing life expectancy and health awareness, greater demand for private healthcare due to better insurance schemes and improved employee medical benefits spending in the healthcare sector in our country is projected to rise, which in return will attract significant investment in the hospital industry.

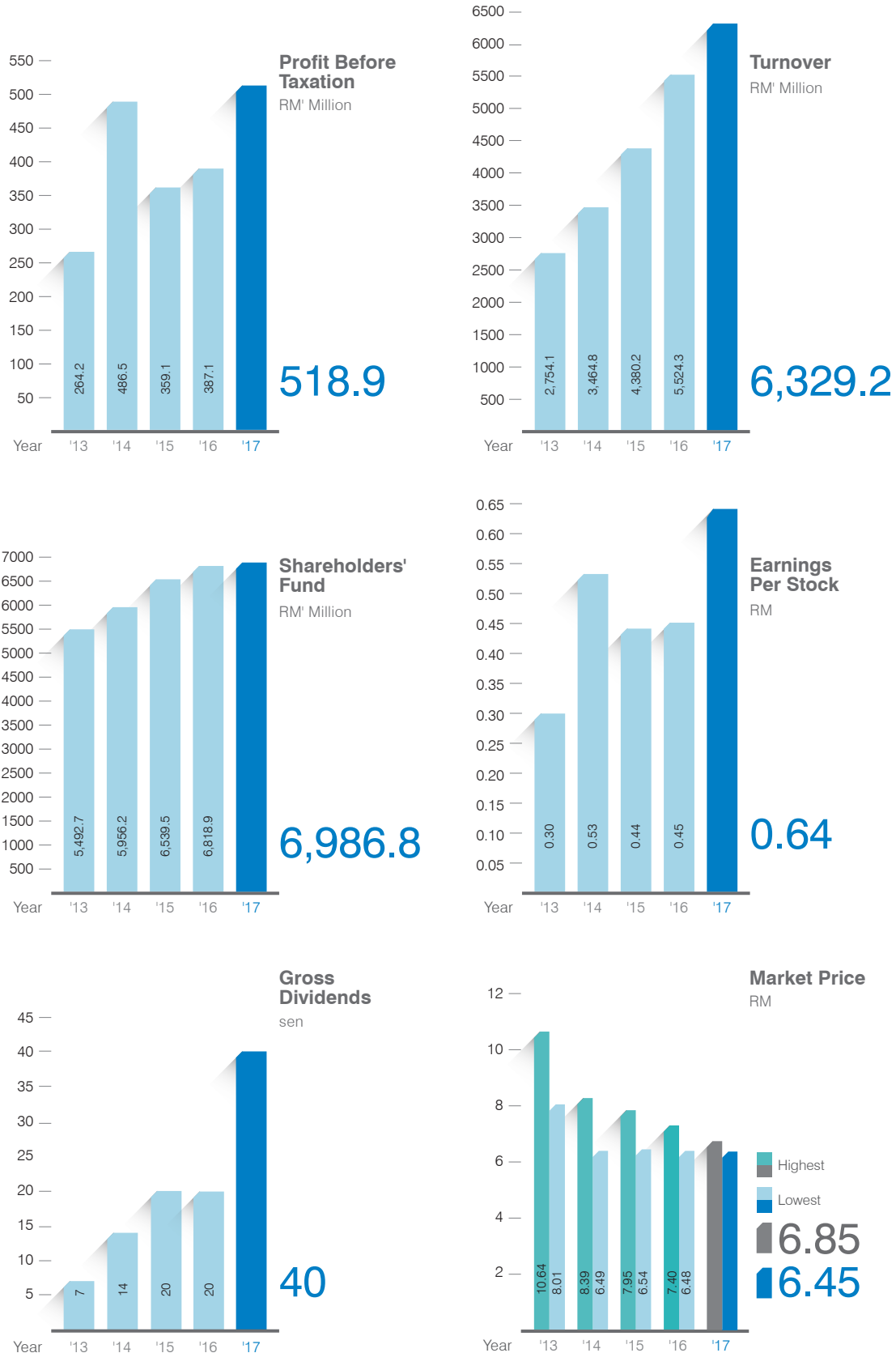
Although operating under a competitive environment, the Group is confident that the strong OMSMC brand will continue to deliver quality healthcare that will leave an impression and attract domestic and international patients. OMSMC will also continue to expand its reach to other medical travelers by launching new representative offices in neighboring countries such as Indonesia.

# FIVE-YEAR GROUP FINANCIAL SUMMARY

(RM' Million)

	2017	2016	2015	2014	2013
<b>FINANCIAL POSITION ANALYSIS</b>					
Share capital	620.5	620.4	620.4	620.4	620.4
Reserves	5,436.5	5,247.7	5,025.5	4,487.0	4,127.2
Treasury stocks	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
<b>Total equity attributable to stockholders of the Company</b>	<b>6,056.8</b>	5,867.9	5,645.7	5,107.2	4,747.4
Non-controlling interests	930.0	951.0	893.8	849.0	745.3
<b>TOTAL EQUITY</b>	<b>6,986.8</b>	6,818.9	6,539.5	5,956.2	5,492.7
Property, plant and equipment	1,529.8	1,554.7	1,595.1	1,487.7	1,324.4
Intangible assets	29.6	34.0	49.8	49.6	49.7
Biological assets	688.9	690.1	553.7	310.5	235.6
Investment properties	1,018.8	892.1	818.2	569.0	555.0
Land held for property development	36.2	36.1	36.1	36.0	35.9
Prepaid land lease payments	63.0	63.9	66.2	30.7	33.9
Investments	986.3	935.8	873.3	781.5	705.3
Current assets	4,817.9	4,662.7	4,155.3	3,684.1	3,403.8
Deferred tax assets	53.1	39.2	31.2	10.4	11.5
<b>TOTAL ASSETS</b>	<b>9,223.6</b>	8,908.6	8,178.9	6,959.5	6,355.1
<b>TOTAL LIABILITIES</b>	<b>(2,236.8)</b>	(2,089.7)	(1,639.4)	(1,003.3)	(862.4)
	<b>6,986.8</b>	6,818.9	6,539.5	5,956.2	5,492.7
<b>OTHER DATA</b>					
Profit before taxation	518.9	387.1	359.1	486.5	264.2
Taxation	(96.6)	(88.9)	(75.9)	(77.7)	(65.0)
<b>PROFIT FOR THE YEAR</b>	<b>422.3</b>	298.2	283.2	408.8	199.2
Non-controlling interests	(27.2)	(18.7)	(10.8)	(77.7)	(13.8)
<b>NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b>	<b>395.1</b>	279.5	272.4	331.1	185.4
<b>DIVIDEND</b>					
Net	248.1	124.1	124.1	86.9	43.4
Sen	40.0	20.0	20.0	14.0	7.0

# FINANCIAL HIGHLIGHTS OF THE GROUP



# FINANCIAL CALENDAR

<b>FINANCIAL YEAR END</b>	31 December 2017
<b>ANNOUNCEMENT OF RESULTS</b>	
Quarter ended 31 March 2017	24 May 2017
Quarter ended 30 June 2017	23 August 2017
Quarter ended 30 September 2017	22 November 2017
Quarter ended 31 December 2017	27 February 2018
<b>DIVIDENDS</b>	
Payment of 2 <sup>nd</sup> Interim Dividend of 6 sen per ordinary stock for Year 2016	7 April 2017
Payment of Final Dividend of 8 sen per ordinary stock for Year 2016	14 July 2017
Payment of 1 <sup>st</sup> Interim Dividend of 6 sen per ordinary stock for Year 2017	9 November 2017
Payment of 2 <sup>nd</sup> Interim Dividend of 6 sen per ordinary stock for Year 2017	6 April 2018
<b>POSTING OF ANNUAL REPORT AND FINANCIAL STATEMENTS TO STOCKHOLDERS</b>	30 April 2018
<b>ANNUAL GENERAL MEETING</b>	7 June 2018

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the “Board”) of Oriental Holdings Berhad (“OHB” or the “Company”) is committed to implementing and maintaining high standards of corporate governance practices that are premised on the notions of transparency, accountability and integrity with a view to enhance stakeholders’ value. As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form.

This Corporate Governance Overview Statement is made pursuant to paragraph 15.25(1) of the Main Market Listing Requirements (“Main Market Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). In producing this Corporate Governance Overview Statement, guidance was drawn from Practice Note 9 of Main Market Listing Requirements and the Corporate Governance Guide (3<sup>rd</sup> Edition) issued by Bursa Malaysia Securities Berhad.

The Corporate Governance Overview Statement is supplemented with a Corporate Governance Report which provides detailed articulation on the application of each Practice as prescribed in the Malaysian Code on Corporate Governance (“MCCG”). The Corporate Governance Report is available on OHB’s website and via an announcement on Bursa Malaysia Securities Berhad’s website.

The Corporate Governance Overview Statement should also be read in conjunction with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Audit Committee Report and Sustainability Statement) as the depth or relevance of applying certain corporate governance promulgations may be better explained in the context of the respective statements.

## CORPORATE GOVERNANCE APPROACH

The Board of OHB remains focused on ensuring the Company and its subsidiaries (collectively referred to as the “Group”) continue to strive forward with the vigour and tenacity that has consistently produced value to its stockholders as well as the wider cross-section of stakeholders. The Board believes that a robust and dynamic corporate governance framework is essential to provide a solid foundation for effective and responsible decision-making in OHB.

OHB’s overall approach to corporate governance is to:

- have the appropriate people, processes and structures to direct and manage the business and affairs of the Company;
- promote the long-term sustainability of the Company by identifying business opportunities whilst equally being cognisant of the associated risks; and
- drive the application of good corporate governance practices through the alignment of the interests of stakeholders and Board as well as Management.

In its effort to promote meaningful and thoughtful application of good governance practices, the Board regularly reviews the Company’s corporate governance policies and procedures to ensure they reflect the latest curation of thoughts, market dynamics and best practices whilst simultaneously addressing the needs of the Group. This was proved to be particularly imperative during the year as the domestic corporate governance ecosystem was introduced to a series of corporate governance reforms, namely the operationalisation of Companies Act 2016, the release of the latest iteration of MCCG, amendments to the Main Market Listing Requirements as well as the issuance of the Corporate Governance Guide (3<sup>rd</sup> Edition).

## SUMMARY OF CORPORATE GOVERNANCE PRACTICES

OHB has applied all of the Practices encapsulated in the MCCG for the financial year ended 31 December 2017, save for:

- Practice 4.1 (having majority Independent Directors on the Board);
- Practice 5.1 (engaging independent experts to conduct annual Board evaluation);
- Practice 11.2 (the adoption of integrated reporting); and
- Practice 12.3 (the use of technology to facilitate remote shareholders’ participation during general meetings).



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## SUMMARY OF CORPORATE GOVERNANCE PRACTICES (cont'd)

In relation to the aforementioned departed Practices, the Company has provided forthcoming and clear explanations for their non-application. The explanations are augmented with an articulation of alternative practices that has been adopted by the Board, taking into account the Intended Outcomes envisioned by the said Practices of MCCG. Further details of the application of each individual Practice are available in the Corporate Governance Report.

A summary of OHB's corporate governance practices with reference to the three Principles of MCCG is outlined below.

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

### I: Board responsibilities

As stewards of the Company, the Board is primarily responsible for directing and providing leadership for the overall strategic direction of the Group. The Board is focused on delivering on the long-term stockholder value whilst equally taking into account the interest of the wider stakeholder groups. By maintaining high standards of transparency, accountability and integrity in its conduct, the Board ensures that it meets its obligation to the Company's stakeholders.

The Board recognises that there should be a harmonious synergy between corporate pursuits and social obligations. Accordingly, the Board has renewed its commitment in driving corporate social responsibility and sustainable development efforts by embedding environmental, economic and social considerations into the formulation of the Company's long-term strategy.

The respective positions of the Chairman of the Board and Group Managing Directors of OHB are held by different individuals. Datuk Loh Kian Chong leads the Board as its Chairman whilst Dato' Robert Wong Lum Kong, DSSA, JP and Dato' Seri Lim Su Tong manage the day-to-day business activities and affairs of the Group as joint Group Managing Directors.

To assist in its oversight function on specific matters, the Board has established and delegated its authority to several Board Committees, namely, the Executive Committee ("EXCO"), Audit Committee ("AC"), Remuneration Committee ("RC"), Nominating Committee ("NC") and Risk Management Committee ("RMC"). The Committees are guided by their respective Terms of Reference as approved by the Board and report to the Board on the key matters deliberated during the respective Committee meetings. Notwithstanding that, the Board adheres to the principle "delegate, not abdicate" and thus, has exercised collective oversight on the Board Committees at all times and retains the authority and responsibility to make decisions for the Group.

The EXCO, which comprises the five Executive Directors on the Board, oversees the implementation of Board decisions and policies at Management level. During the year under review, the EXCO has approved the Group annual budget as well as the budget for all divisions. The Performance Coordinating Team ("PCT") of selected divisions report to the EXCO in relation to the performance and Key Performance Indicators on a quarterly basis. The EXCO reports the findings and make subsequent recommendations to the Board.

The RMC is responsible for reviewing and recommending risk management policies and strategies for the Group. It assists the Board to fulfil its oversight responsibility on risk management to manage the overall risk exposure of the Group.

The AC assists and supports the Board to oversee the Group's processes for preparation of financial information, its internal control system and independence of the Group's external and internal auditors.


# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### I: Board responsibilities (cont'd)

During the financial year under review, the Board has met regularly to deliberate on matters under their purview. All Directors have devoted adequate time to prepare, attend and actively participate during Board and/or Board Committee meetings. Details of Directors' meeting attendance are outlined below.

Director	Board	AC	EXCO	RMC	RC	NC
Datuk Loh Kian Chong <i>Executive Chairman</i>	5/5		5/5	1/1 <sup>[1]</sup>		
Dato' Robert Wong Lum Kong, DSSA, JP <i>Group Managing Director</i>	5/5		5/5	2/2		
Dato' Seri Lim Su Tong <i>Group Managing Director</i>	5/5		5/5	2/2		
Ms. Tan Kheng Hwee <i>Executive Director</i>	5/5		5/5	2/2		
Dato' Sri Datuk Wira Tan Hui Jing <i>Executive Director</i>	5/5		5/5			
Dato' Ghazi bin Ishak <i>Senior Independent Non-Executive Director</i>	5/5	6/6			2/2	2/2
Mary Geraldine Phipps <i>Independent Non-Executive Director</i>	5/5	6/6		2/2	2/2	2/2
Lee Kean Teong <i>Independent Non-Executive Director</i>	5/5	6/6			2/2	2/2
Sharifah Intan binti S. M. Aidid <i>Non-Independent Non-Executive Director</i>	4/5 <sup>[2]</sup>	4/6			1/2	2/2
Nobuhide Nagata <i>Non-Independent Non-Executive Director</i>	5/5					

	Chairman		Member
---	----------	---	--------

Note:

<sup>[1]</sup> Datuk Loh Kian Chong was appointed as member of RMC w.e.f. 10 April 2017.

<sup>[2]</sup> Sharifah Intan binti S. M. Aidid was on medical leave.

The Board has unrestricted access to the services of two competent and suitably qualified Company Secretaries, who fulfil the requirements set out in Section 235(2) of Companies Act 2016. The Company Secretaries regularly apprise the Board on the latest regulatory developments relating to corporate governance and assist the Board in interpreting and applying pertinent corporate governance promulgations.

Meeting materials are circulated to Directors at least seven (7) calendar days prior to Board or Board Committee meetings in order to accord Directors with sufficient time to review the materials and prepare for the meeting. The minutes of meetings reflect the decisions made by the Board, including the key deliberations, rationale of each decision and any significant concerns or dissenting views voiced out by Directors. The minutes additionally indicate whether any Director abstained from deliberating and voting on specific matters. The draft minutes of meeting are targeted to be circulated within fourteen (14) calendar days of each Board or Board Committee meeting and re-circulated for signing at the subsequent meeting to validate that the minutes has captured the proceedings of the said meeting accurately.

The Board has formalised a Board Charter which serves as a guiding document that governs the conduct of the Board, Board Committees and individual Directors. During the year under review, the Board has conducted a review of the Board Charter, Code of Ethics, Whistleblowing policy and other relevant policies and has updated them accordingly with reference to the MCCG. These documents serve as guiding literatures for the Board, Board Committees and individual Directors in the discharge of their responsibilities to the Company. The summarised version of each document is made available on the Company's website.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II: Board composition

To support the Company's vision of achieving sustainable growth and enhancing stockholders' value, it is especially imperative for the Board to have an appropriate mix of skills, qualifications, attributes and experience. The Board presently comprises five (5) Executive Directors, three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The Board, through the NC, periodically reviews its composition to ensure it is aligned to the needs and strategic direction of the Company. The combined skills and expertise of the Directors provide a breadth and depth of perspectives and unique insights that can refine the decision-making process of the Board in pertinent areas.

The presence of the Non-Executive Directors contributes the element of objectivity to the Board's decision-making process as they are able to constructively challenge and probe Management's proposal for the Group's strategies. Each of the Executive Director is in charge of different divisions and bring diverse skill sets and experiences to the Board. The Executive Director are accountable to the Board for the achievement of the Group's goals and objectives as well as observance of Management's authority limits. The Non-Executive Directors provide the relevant check and balance mechanism within the Group's governance structure. They additionally serve as conduits between stakeholders and Management by taking into account feedback received from stakeholders during Board discussions. To foster greater objectivity and strengthen the Board's collective oversight of Management, the Board has designated Dato' Ghazi bin Ishak as the Senior Independent Director on 22 November 2017. The Board has also appointed Mr. Keiichi Yasuda as the Non-Independent Non-Executive Director on 9 April 2018 in replacement of Mr. Nobuhide Nagata.

The NC, chaired by Ms. Mary Geraldine Phipps who is an Independent Non-Executive Director, comprises wholly Non-Executive Directors, with a majority being Independent. The NC was formed by the Board with specific terms of reference to recommend to the Board the candidature of Directors, oversee assessment of the Board, Board Committees as well as individual Directors, appoint Directors to Board Committees and review the Board's succession plans as well as training programmes.

The NC is responsible to review and assess the Board and Key Senior Management's composition and skills mix and make recommendations on the appointment of new Directors and Key Senior Management (where relevant).

As a future priority for the Board, the NC will continue assessing the objectivity of the Board whilst keeping a close watch on any indication of entrenchment.

The NC undertakes the responsibility of sourcing for suitable candidates for directorships and Key Senior Management positions and make subsequent recommendations to the Board on the appointment of new Directors and Key Senior Management personnel, where needed. The NC will leverages on various sources to cast the net on a wider pool of candidates. This includes Directors' network, referrals from Management and/or stockholders as well as independent sources such as directors' registry, open advertisements and independent search firms. The Board, through the NC, ensures that the recruitment and selection process for the Directors and Key Senior Management are appropriately structured so as to ensure a diverse range of candidates are considered and that there are no conscious or unconscious biases against certain candidates. With regards to appointments to the Board, the NC is guided by the Board Diversity Policy which sets out the approach to ensure diversity in the boardroom.

In line with the policy pronouncement by the government to have at least 30% women representation on the boards of public listed companies, the Board of OHB has long comprised 30% women Directors since 2009 (i.e. three out of ten Directors are women). In respect of the workforce diversity, the female employees makes up 26% of the total workforce of the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### II: Board composition (cont'd)

On an annual basis, the Board, Board Committees and individual Directors including Independent Directors are subjected to a comprehensive evaluation process that review their performance and assess their effectiveness during the year. The assessment is administered using questionnaires that incorporate a range of criteria including Board composition, skills and competencies, meeting conduct and administration as well as self and peer evaluation model. Whilst the Board evaluation exercise was carried out in-house, the results were compiled by an independent third party so as to elevate the objectivity and rigour of the assessment process. Additionally, anonymity is maintained when feedback from individual Directors are discussed with the Chairman of the NC and the Board as a whole.

The Board has formalised a policy that restricts the cumulative (consecutive or intermittent) tenure of Independent Directors to nine (9) years. Independent Directors may continue to serve on the Board beyond the 9-year tenure in the capacity of a Non-Independent Non-Executive Director. At the 56<sup>th</sup> AGM, the Board will seek early annual stockholders' approval to retain Ms. Mary Geraldine Phipps as an Independent Director after reaching 9 years of tenure.

Based on the annual Board performance assessment carried out, the Board is satisfied with the current Board composition and believes the decisions were made objectively in the best interests of the Company taking into account diverse perspectives and insights. The Board is satisfied with the effectiveness of the Board, Board Committees and individual Directors, based on the mix and composition of the Board members which comprises wide skill set and range of experiences.

During the year under review, the Directors has attended relevant seminars, conferences and other training programmes in order to upskill themselves and keep themselves abreast of the latest market developments relevant to the growth and performance of the Group. All Directors attended the following training during the year except for Dato' Ghazi bin Ishak:

- Malaysian Code on Corporate Governance
- Update on the Companies Act 2016

Additional training attended by the Directors during the year are as below:

Directors	Details of Programme
Dato' Robert Wong Lum Kong, DSSA, JP	<ul style="list-style-type: none"> <li>• Is Diversity Required in the Boardroom? - Discussion with Datuk Zaiton Mohd Hassan &amp; Mr David Berry</li> <li>• Boards and C-Level Executives: Balancing Trust and Tension</li> </ul>
Dato' Ghazi bin Ishak	<ul style="list-style-type: none"> <li>• Walking Through Contracts the MFRS 15 way &amp; MFRS 9, Financial Instruments</li> </ul>
Mary Geraldine Phipps	<ul style="list-style-type: none"> <li>• KPMG Penang Tax Summit 2017</li> <li>• Understanding Listing Requirements and Corporate Governance</li> <li>• Overview of Compliance with Malaysian Code on Take-Overs and Mergers 2016, etc.</li> </ul>
Lee Kean Teong	<ul style="list-style-type: none"> <li>• KPMG Penang Tax Summit 2017</li> <li>• The New Malaysian Code on Corporate Governance 2016 - "How To Walk The Talk"</li> <li>• The Companies Act 2016 – Key Changes and Implications to Directors and Management</li> </ul>
Datin Loh Ean	<ul style="list-style-type: none"> <li>• Is Diversity Required in the Boardroom? - Discussion with Datuk Zaiton Mohd Hassan &amp; Mr David Berry</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

### III: Remuneration

The Board recognises a fair remuneration package is an important component to attract, retain and motivate Directors, both executive and non-executive. In this regard, the Board has formalised a Directors' Remuneration Policy to guide the RC in determining the remuneration of Directors. For the Executive Directors, the component parts of their remuneration are structured so as to link rewards to the individual and Group's performance. For Non-Executive Directors, the remuneration packages reflect their experience, time commitment, scope of responsibilities and contribution to the effective functioning of the Board.

During the financial year under review, the RC has reviewed and recommended to the Board the remuneration package for Executive Directors of the Company. The Board as a whole has deliberated on and subsequently decided on the remuneration package for Non-Executive Directors. The Directors concerned abstained from deciding and voting on their individual remuneration. The Board has agreed on the Directors' fees and allowances to be tabled for stockholders' approval during the forthcoming Annual General Meeting ("AGM").

#### Remuneration Package for Executive Directors / Key Senior Management<sup>N1</sup>

The remuneration of Executive Directors is structured to ensure the rewards are linked to their performance and contributions to the Group's growth and profitability in order to align the interest of the Directors with those of stockholders. The Committee also considered the extent of responsibilities undertaken by the individual Executive Director and their respective contribution to the effective functioning of the Board in arriving at their level of remuneration.

*N1: The Executive Committee members, by virtue of their positions as Executive Directors of the Group, form part of the Key Senior Management of the Group that is primarily responsible for the business operations of OHB's core businesses and principal subsidiaries.*

#### Remuneration Package for Non-Executive Directors

As for Non-Executive Directors, their level of remuneration reflects the experience, time commitment and scope of responsibilities undertaken by the said Directors as well as the onerous challenges in discharging their fiduciary duties.

#### Fees and Allowances

All Directors are paid annual director fees of RM90,000 each for serving as members of the Board for FY2017. Effective from FY2018, Executive Director will be paid RM90,000 each and Non-Executive Director will be paid RM120,000 each. All Directors are also paid meeting allowance for each meeting attended. In recognition of the additional time and commitment required, the Directors also received annual allowances arising from their participation on various board committees.

The various allowances for the Directors as approved by the Board is set out as follows:

<b>Meeting Allowances</b>	<b>RM</b>	
Board meeting allowance	2,000	
Audit Committee meeting allowance	1,000	
Remuneration, Nominating and Risk Management Committees meeting allowance (per Committee meeting)	500	

<b>Chairman and Board Committee Allowance</b>	<b>Chairman</b>	<b>Members</b>
Chairman of the Board	200,000	-
Audit Committee	40,000	15,000
Remuneration, Nominating and Risk Management Committees (per Committee meeting)	15,000	8,000

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## **PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)**

### **III: Remuneration (cont'd)**

Details of remuneration of Directors of the Company for the financial year ended 31 December 2017 are provided in the Corporate Governance Report.

The Director's Remuneration Policy and the Term of Reference of the RC, which address the roles and responsibility as well as matters reserved of the Committee are formalised in Board Charter and is made available on the Company's website.

## **PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **I: Audit Committee**

The Board has established an AC to provide a robust and comprehensive oversight on the financial matters as well as the External and Internal Audit processes of the Group. The AC is chaired by Ms Mary Geraldine Phipps, an Independent Non-Executive Director who is distinct from the Chairman of the Board. The composition of the AC allows it to possess the financial literacy that are required to have a sound understanding of the financial matters of the Company.

The AC has unfettered access to both the Internal and External Auditors, who, in turn report directly to the AC. The Board has established a formal and transparent arrangements to maintain an appropriate relationship with the External Auditor. This includes adopting policies and procedures to assess the suitability and independence of the External Auditors on an annual basis and implementing a mandatory two-year cooling off period for former key audit partners before being appointed as a Director or employee of the Company. Additionally, the AC has formalised the policy and procedures on the nature of non-audit services that may be provided by External Auditor.

During the year under review, the Board has received confirmation from its External Auditor that its personnel are and have been independent throughout the conduct of audit engagement in accordance with the terms of relevant professional and regulatory requirements.

Based on the outcome of director performance assessment conducted, the Board is satisfied with the AC's performance as its Chairman and members are able to understand matters under the purview of the AC including the financial reporting process. All members of the AC undertake continuous professional education programmes to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

### **II: Risk Management and Internal Control Framework**

The Board, through the RMC, has established the risk management and internal control framework for the Group and respective divisions which facilitates the identification, evaluation and continuous monitoring of key business risks. The Heads of divisions within the Group undertake the responsibility of managing the identified risks by implementing appropriate mitigating measures and providing periodic reports to the Corporate Office and the RMC. The RMC has received updated Group risk compilation for the financial year ended 2017. Top 5 risks were identified with Management controls and action plan put in place to manage the risks.

The Group has established an in-house Internal Audit function. The AC assesses the performance of Internal Audit function on an annual basis to ensure the Internal Auditors have performed effectively and acted independently in undertaking the Internal Audit process. The Internal Audit Department adheres to a globally recognised framework, namely International Professional Practices Framework ("IPPF") as promulgated by the Institution of Internal Auditors. All nine (9) Internal Audit personnel, including the Head of Internal Audit, are free from any relationships or conflicts of interest, which could impair their objectivity and independence, as disclosed in the Audit Committee Report.

The Board has also received written assurances from Executive Chairman, Executive Directors and Group Chief Financial Officer on the adequacy and effectiveness of the Group's risk management and internal control system in all material aspects. The details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPAL C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I: Communication with Stakeholders

The Board recognises the importance of fostering a transparent, active and constructive communication with its stakeholders. Towards this end, the Board has formalised a Corporate Disclosure and Communication Policy to govern the dissemination of information to stakeholders. Amongst others, the policy covers the procedures on publications of reports, conduct of events such as analyst and investors' engagement sessions, procedures on responding to market rumours, confidential information and leakage of private information. Additionally, a summary of the key matters discussed during AGMs are also disclosed on its website.

The Group Chief Financial Officer serves as the primary contact person for inquiries from analysts and investors. In addition to the contact information of the Group Chief Financial Officer, OHB's investor relations' email address [ir@ohb.com.my](mailto:ir@ohb.com.my) is also provided on the website to increase accessibility of information for stakeholders, including potential investors.

Whilst OHB has yet to adopt Integrated Reporting regime, the Board is of the view that the existing Annual Report provides a holistic view of the Group's performance as it covers key non-financial information in the form of Management Discussion and Analysis, Audit Committee Report and Statement on Risk Management and Internal Control, to complement the financial information. Additionally, the Company has, as in the previous year, produced a Sustainability Report to augment the Annual Report. The Annual Report and Sustainability Report have both adopted certain elements of an integrated report such as the organisation overview, outlook and external environment, governance policies, performance and the basis of preparation and presentation.

These developments signal a significant step forward and has positioned the Company on a solid footing to adopt Integrated Reporting. Moving forward, the Board would like to allow an advocacy period for the awareness of Integrated Reporting to be better appreciated by Management personnel before it is adopted.

### II: Conduct of General Meetings

The AGM forms the principal avenue for a productive two-way dialogue between the Company and its stockholders. The questions and answer (Q&A) session conducted during the AGM allows stockholders to assess the Group by posing questions to the Board and Key Senior Management on the information disclosed in the Annual Report. During the AGM, stockholders are encouraged to participate in the deliberation on the resolutions being tabled as well as on the Group's operations and business performance in general.

The notice of 55<sup>th</sup> AGM was circulated at least twenty-eight (28) days prior to the date of the meeting to grant stockholders with adequate time to prepare and ultimately make informed decisions during the AGM. The notice for AGM outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable.

All the resolutions set out in the Notice of the 55<sup>th</sup> AGM were put to vote by poll. The outcome of the AGM was announced to Bursa Malaysia Securities Berhad on the same day.

All Directors attended the 55<sup>th</sup> AGM on 8 June 2017. The Group Chief Financial Officer shared the responses to questions submitted in advance by the Minority Shareholder Watchdog Group. The Executive Directors and Group Chief Financial Officer were responsible for answering the questions relating to business operations raised by shareholders. The Chairs of respective Board Committees additionally responded to the questions on matters pertinent to their respective Committees.

The notice to the upcoming AGM in 2018 has been provided more than twenty-eight (28) days in advance to enable stockholders to make adequate preparation.

This CG Overview Statement was approved by the Board of Directors of OHB on 9 April 2018.



# OTHER INFORMATION AND DISCLOSURE

## I. NON-AUDIT FEES

Non-audit fees amounting to RM 593,000 for the Group and RM 159,000 for the Company were paid to the External Auditors of the Company for the financial year ended 31 December 2017 mainly for the services in connection with the Group risk compilation and annual tax compliances.

## II. LOAN CONTRACTS INVOLVING INTEREST OF RELATED PARTY

- (a) Loan contract of USD 1.5 million dated January 1, 2013 between the Company ("OHB") and Oriental Boon Siew (Mauritius) Pte. Ltd. ("OBSM");
- (b) Loan contracts of USD 5 million dated June 6, 2008 between OBS (Singapore) Pte. Ltd. ("OBSS") and PT Bumi Sawit Sukses Pratama ("BSSP");
- (c) Total RM 79 million loan contract of RM 38 million, RM 20 million and RM 21 million dated January 11, 2013, March 19, 2014 and September 3, 2014 respectively between OHB and Armstrong Auto Parts Sdn Bhd ("AAP"); and

Total RM 100 million loan contract of RM 25 million, RM 25 million, RM 10 million, RM 5 million, RM 3 million, RM 6 million, RM 6 million, RM 6 million, RM 6 million, RM 2 million and RM 6 million dated September 15, 2014, January 6, 2015, July 1, 2015, September 15, 2015, December 15, 2015, March 1, 2016, June 1, 2016, September 9, 2016, December 1, 2016, July 5, 2017 and August 1, 2017 respectively between OHB and Melaka Straits Medical Centre Sdn Bhd ("MSMC").

OBSS is a wholly owned subsidiary of OBSM. OBSM is a company 50.5% and 49.5% owned by OHB and the substantial stockholder, Boon Siew Sdn Bhd respectively.

Meanwhile, the sub-subsidiaries, namely BSSP in Indonesia are 90% owned by OBSS, which in turn is 45.5% owned by OHB.

AAP and MSMC is a 60.26% and 51% owned subsidiary by OHB respectively.

### Loan From OHB to OBSM

Purpose	For working capital
Interest rate	USD London Interbank Offered Rate (LIBOR) + 0.5% per annum
Term as to payment of interest	Payable at end of tenor (1,2 or 3 months) or quarterly (tenor more than 3 months) whichever applicable
Repayment of principal	On demand
Security	Unsecured

### Loan From OBSS to BSSP

Purpose	For working capital
Interest rate	USD LIBOR + 1.5% per annum
Term as to payment of interest	Payable at end of tenor (1,2 or 3 months) or quarterly (tenor more than 3 months) whichever applicable
Repayment of principal	On demand
Security	Unsecured



## OTHER INFORMATION AND DISCLOSURE

### II. LOAN CONTRACTS INVOLVING INTEREST OF RELATED PARTY (cont'd)

<b>Loan From OHB to AAP</b>	
Purpose	For working capital and restructuring
Interest rate	KL Interbank Offered Rate (KLIBOR) + 0.2% per annum
Term as to payment of interest	Payable monthly
Repayment of principal	On demand
Security	Unsecured
<b>Loan From OHB to MSMC</b>	
Purpose	For working capital
Interest rate	KLIBOR + 0.2% per annum
Term as to payment of interest	Payable monthly
Repayment of principal	On demand
Security	Unsecured

### III. MATERIAL CONTRACTS

Material contracts of the Company and its subsidiaries involving Directors and major stockholders either subsisting at the end of the financial year or entered into since the end of the previous financial year are as disclosed above.

### IV. RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 8 June 2017, the Company obtained a stockholders' 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 12 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2017 pursuant to the Stockholders' Mandate are disclosed as follow:-

- (a) Transactions between OHB Group and Boon Siew Sdn Bhd Group which involve the interests of major stockholder of OHB, Boon Siew Sdn Bhd and its Group

	<b>RM' 000</b>
New cars, spare parts and car services	249
Transport charges, truck rental and labour charges	14
Quarry products and red earth	560
Office rental expenses	999
Land rental	63
Plant rental	35
Rental of premises	240
Provision of sales, corporate advertising and marketing of hotel	603
Management, technical and advisory services	11,612
Building materials	9
Finance lease	2,005
Nursing course sponsorship	185

## OTHER INFORMATION AND DISCLOSURE

### IV. RECURRENT RELATED PARTY TRANSACTIONS (cont'd)

- (b) Transaction between OHB Group and Dato' Syed Mohamad Bin Syed Murtaza and family and their interests

	<b>RM' 000</b>
Motorcycle spokes, nipples, control cables and motorcycle parts	1,428

- (c) Transactions between OHB Group and Honda Motor Co. Ltd. Group which involve the interests of a director/ major shareholder of OHB subsidiaries, Dato' Syed Mohamad Bin Syed Murtaza and family and a major shareholder of OHB subsidiaries, Honda Motor Co. Ltd.

	<b>RM' 000</b>
Factory rental	1,080
Shock absorbers for motor vehicles, lock, switches automotive control cables & power window regulator	225,993
Motorcycle spokes, nipples, control cables, shock absorbers, raw materials and motorcycle parts	3,218
Plastic components for motorcycles	16,383
Land rental	720

- (d) Transactions between OHB Group and Honda Motor Co. Ltd. Group which involve the interests of a direct shareholders of OHB subsidiary or associated companies, Honda Motor Co. Ltd and its related company

	<b>RM' 000</b>
Sale of new cars, parts and services	17,211
Purchase of cars, spare parts, accessories and services	1,585,194

- (e) Transactions between OHB Group and Karli Boenjamin and his interest

	<b>RM' 000</b>
Fresh fruit bunches	9,837
Contractor for land clearing	7,243

- (f) Transactions between OHB Group and Ooi Soo Pheng and Tan Liang Chye and their interests

	<b>RM' 000</b>
Mixed concrete and quarry product	10
Mixer truck hiring services, plant & truck maintenance services	300

- (g) Transaction between OHB Group and Tan Liang Chye and his interest

	<b>RM' 000</b>
Cements	5,777

## OTHER INFORMATION AND DISCLOSURE

### IV. RECURRENT RELATED PARTY TRANSACTIONS (cont'd)

- (h) Transaction between OHB Group and Datuk Loh Kian Chong and his interests

	<b>RM' 000</b>
Building materials	155

- (i) Transactions between OHB Group and Teck See Plastic Sdn. Bhd. and its interests

	<b>RM' 000</b>
Prototype of plastic parts, jigs	216
Plastic parts	4,094

- (j) Transactions between OHB Group and Teck See Plastic Sdn. Bhd. and Kasai Kogyo Co., Ltd. and their interests

	<b>RM' 000</b>
New molds, mold repairs	3,436
Plastic parts	10,797

# AUDIT COMMITTEE REPORT

## MEMBERSHIP

The present members of the Audit Committee (the "Committee") comprise:

Name of member	Position
Mary Geraldine Phipps	Chairman, Independent Non-Executive Director
Dato' Ghazi bin Ishak	Senior Independent Non-Executive Director
Lee Kean Teong	Independent Non-Executive Director
Sharifah Intan binti S.M. Aidid	Non-Independent Non-Executive Director

## TERMS OF REFERENCE

The Committee was established to act as a Committee of the Board of Directors, with terms of reference as set out under Terms of Reference of the Audit Committee which is published on the corporate website.

## MEETINGS

The Committee convened six (6) meetings during the financial year. Details of the attendance of members are as follows:

Name of member	Attendance
Mary Geraldine Phipps	6/6
Dato' Ghazi bin Ishak	6/6
Lee Kean Teong	6/6
Sharifah Intan binti S.M. Aidid	4/6

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notice of at least seven (7) days prior to the meeting.

The Company Secretaries were present by invitation at all meetings. Representatives of the External Auditors and the head of Internal Audit also attended the meetings upon invitation.

## TRAINING AND CONTINUOUS ENGAGEMENT

Members of the Committee have attended relevant training seminars and programmes to enhance their competency in fulfilling their functions and duties more effectively. The details of training attended by each member are set out under Statement on Corporate Governance in this Annual Report.

During the financial year, the Committee Chairman engaged with Senior Management, Internal and External Auditors by way of telephone conversations and attending ad-hoc meetings, in order to be kept informed of matters affecting the Group. Through such engagements, relevant issues were brought to the attention of the Committee in a timely manner.

# AUDIT COMMITTEE REPORT

## SUMMARY OF WORK DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the financial year which adopts the Principles and Recommendations promulgated by the Malaysian Code on Corporate Governance. The main work undertaken by the Committee to ensure that they are able to discharge their responsibilities during the year were as follows:

- Reviewed the External Auditors' scope of work and audit plan for the year. Prior to the audit, representatives of the External Auditors presented their audit strategy and plan for the Audit Committee's deliberations. The Audit Committee sought further clarification on the scope, selected risk areas as well as the planned audit approach and coverage by the External Auditors before giving their approval. Sometimes, the Audit Committee would also give their input to the External Auditors on other areas which they are concerned about;
- Reviewed with the External Auditors the results of the audit, their evaluation of the system of internal controls, the audit report and the management letter. The Audit Committee would seek further confirmation on the results of the audit and ask the External Auditors on additional areas of concern, if any;
- Reviewed the independence, suitability and objectivity of the External Auditors and their services, including professional fees, so as to ensure a proper balance between objectivity and value for money;
- Met with the External Auditors twice (2) on 10 April 2017 and 22 November 2017 without the presence of any Executive Board members and Senior Management, to discuss problems and reservations arising from the interim and final audits, if any, or any other matter the External Auditors may wish to discuss;
- Considered and recommended to the Board on the re-appointment of the External Auditors and the audit fees payable to the External Auditors for the Board's submission to stockholders for approval at the Annual General Meeting;
- Reviewed the Internal Audit Department's audit plan for the financial year under review to ensure adequate scope and comprehensive coverage of the activities of the Group. This includes a review of the planned audit assignments, scope of review and the risk areas selected for review. Active discussions were held together with the head of Internal Audit department as well as the Group's Chief Financial Officer on the extent and scope of review to ensure that all the top Group risks are included in the internal audit plan;
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of Internal Audit Department against the international practices framework for internal auditing;
- Reviewed the Internal Audit reports, which highlighted the audit issues and Management's response. Where relevant, the Committee directed Management to present its status report on the management action plans to the Committee directly. In certain meetings, Management was asked to be physically present to answer queries that were posed directly by the Committee. Where issues of significance arise, the Committee would bring it up to the full Board Meeting for clarification and resolution;
- Reviewed and approved the Internal Audit Department Operating Budget;
- Reviewed and assessed the performance of Internal Auditors which covered Internal Auditor Charter and Structure, skill and experience, training and training policy and endorsed their annual increment. The Audit Committee would communicate with Executive directors and Management when necessary;
- Reviewed the audited financial statements of the Group and of the Company, before submission to the Board for its consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable approved accounting standards adopted by the Malaysian Accounting Standards Board. The External Auditors would clarify issues that required the Committee's attention as well as areas of concern which the Committee should be aware of before the financial statements were approved. This includes financial reporting issues, key audit areas, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
- Reviewed the Company's compliance, with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant legal and regulatory requirements;

## AUDIT COMMITTEE REPORT

### SUMMARY OF WORKS DURING THE FINANCIAL YEAR (cont'd)

- Reviewed pertinent issues of the Group which had a significant impact on the results of the Group;
- Reviewed the quarterly unaudited financial results year end financial statements and announcements before recommending them for the Board's approval. This includes enquiries on material fluctuations noted in the financial results as well as any major changes in the financial position of the Group; and
- Reviewed the recurrent related party transaction of revenue and trading nature and other related party transactions entered into by the Group.

### INTERNAL AUDIT FUNCTION

The Group has an Internal Audit function that is independent of the activities and operations it audits. The head of 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.

Mr. Choo Mun Yew ("Mr Choo") is currently the Head of Internal Audit of Oriental Holdings Berhad, a post he held since joining the Company in October 2001. Mr. Choo has been with the Company for a total of 16 years. Prior to joining the Company, Mr. Choo had a diverse experience in external and internal audit as well as accounting positions. He started his career with an international accounting firm for eight years and later a local banking institution for four years. Mr. Choo was also a member of an internal audit team responsible for the audit of Asia Pacific operations of a global multinational corporation prior to joining the Company. Mr. Choo is currently a member of Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) as well as a professional member of The Institute of Internal Auditors Malaysia.

The Internal Audit Department ("IAD") is staffed by nine audit executives, including the Head of Internal Audit. Most of the IAD staff have professional qualifications and are members of The Institute of Internal Auditors Malaysia. All the internal audit personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence. In addition, all new prospective internal auditors are personally screened by the Head of Internal Audit before they are accepted into the department.

The principal role of the Internal Audit is to undertake independent, regular and systematic reviews of the systems of internal control in order to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the Internal Audit function to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements. The Head of Internal Audit is also actively involved in the risk management review process by attending the Company's Risk Management Committee meetings.

The internal audit activity governs itself through adherence to International Professional Practices Framework promulgated by The Institute of Internal Auditors Malaysia. The mandatory guidance includes the Definition of Internal Auditing, Core Principles, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The recommended guidance, i.e. Implementation Guidance and Supplemental Guidance are also being adhered to as applicable to guide operations. In addition, the internal audit activities also adhere to Oriental Holdings Berhad relevant policies and procedures.

The total costs incurred for the Internal Audit function of the Company and the Group for 2017 are as follows:

	RM '000
Company	1,471
Group	1,607

## AUDIT COMMITTEE REPORT

### INTERNAL AUDIT FUNCTION (cont'd)

Further details of the activities of Internal Audit function are set out under the Statement on Risk Management and Internal Control in this Annual Report. Summary of work carried out by Internal Auditor during the year are as follows:-

- Performed a risk assessment of the business activities and functions for the whole Group at the beginning of the year;
- Aligned the risk assessments with the risks identified by the Group's risk assessment exercise to develop the audit universe and current year's audit risk map;
- Evaluated and assigned weightage to the risks identified and prioritized the risks according to significance and importance;
- Developed current year's audit plan in consideration of resources available to the Internal Audit department;
- Presented the audit plan to the Audit Committee for their consideration and approval;
- Carried out review of areas as outlined in annual audit plan to evaluate the adequacy and effectiveness of internal control system, including management information system;
- Presented the internal audit reports to the Audit Committee for deliberations during quarterly meetings, including the management action plans;
- Performed follow up reviews and updated the Audit Committee on the status of action plans by management to ensure that they are completed within the agreed timeframe;
- Performed reviews of recurrent related party transaction and other related party transactions entered into by the Group;
- Assisted the Audit Committee to investigate complaints of fraud and improprieties as reported via the Group's Whistleblowing channel; and
- Performed any other investigations or reviews as instructed by the Audit Committee from time to time.

During the year, the Internal Audit ("IA") department carried out a total of 21 reviews. The IA team visited the Group's three oil palm estates each in Malaysia and Pulau Bangka, Indonesia to conduct internal auditing on the financial and operating aspects of the operations with particular emphasis on operational controls involving cash management, stocks and planting development progress. For the 3 crude palm oil mills in Pulau Bangka, the IA's review covered the sales and marketing activities, inventory control as well as review of their quality controls.

As in the previous year, a review of the operations of the Group's medical division in Melaka was also undertaken to ensure that continuous improvements are carried out by the management as the size of operations continue to grow. The review was more focused on the management's activities in ensuring the achievement of its financial and operational targets, e.g. cash and debtors management, capital expenditure, activities to increase patient load and insurance panels.

Last but not least, the Internal Auditor also reviewed the operations of the automotive and manufacturing divisions. Special emphasis was placed on inventories management, treasury management and accounting processes.

In all cases the internal audit reports were presented to the Audit Committee and management were invited to attend the Audit Committee meetings to present their explanations and action plans to remedy weaknesses, if any and enhance controls. The Audit Committee actively follows up on the issues brought up in the audit reports to ensure the satisfactory resolution on a timely basis.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board recognises the importance of a sound risk management and internal control framework to safeguard stockholders' investment and assets of the Group. The Board's Statement on Risk Management and Internal Control ("Statement") outlines the nature and scope of risk management and internal control of the Group during the year. The Statement also takes into consideration the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, a publication issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on the issuance of a statement about the state of risk management and internal control pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Securities.

## BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for adequacy and effectiveness of the Group's system of risk management and internal control (the "system"). This includes reviewing the adequacy and integrity of financial, operational and compliance controls and risk management procedures. In view of the limitations inherent in any system of risk management and internal control, the Board ensures that the risk management and internal control framework is designed to manage the Group's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the Group's business and corporate objectives. The Board continually reviews the framework in ensuring that the risk management and internal control framework provides a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the relevant and material risk encountered by the Group. The Board, through its Audit Committee and Risk Management Committee, regularly reviews the results of this process, including risk mitigating measures taken by Management to address key risks identified. The Board confirms that this process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

The Audit Committee and Risk Management Committee are to assist the Board to oversee the management of all identified material risks including review of the adequacy and effectiveness of the Group's risk management and internal control system to ensure that appropriate measures are carried out by Management to obtain the level of assurance required by the Board. For the purpose of this Statement, the associated companies in the Group are excluded which the Group does not have control.

## RISK MANAGEMENT

The Board has, through its Risk Management Committee ("RMC"), established a risk management and internal control framework that was implemented throughout the Group, which is firmly embedded in the Group's key processes. Management is overall responsible for ensuring that the day-to-day management of the Group's activities is consistent with the risk strategy, including the risk appetite and policies approved by the Board. The key responsibilities of the Management in respect of risk management is to identify, evaluate, monitor and report of risks and internal control as well as provide assurance to the Board that it has done so in accordance with the policies adopted by the Board. Further assurance is provided by the Internal Audit function, which operates across the Group.

The Board believes that the following key elements of the Group's risk management framework are integral to maintaining a sound risk management and internal control system:

- establishment of the Risk Management Committee with the responsibility of identifying and communicating to the Board the key risks (present and potential) faced by the Group, their changes and management action plans to manage the risks;
- formalisation of Enterprise Risk Management ("ERM") Policy and Procedures, which outline the risk management framework for the Group and offer practical guidance to all employees on risk management issues;
- identification of principal risks (present and potential) faced by operating units in the Group and Management's deployment of internal controls to mitigate or manage these risks;
- articulation of the Group's risk appetite and parameters (qualitative and quantitative) for the Group and individual business units so as to gauge acceptability of risk exposure; and



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RISK MANAGEMENT (cont'd)

- the appointment of a 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.

## SUMMARY OF RISK MANAGEMENT ACTIVITIES DURING THE FINANCIAL YEAR

The Risk Management Committee carried out its duties in accordance with its term of reference during the financial year.

Highlights of the activities undertaken by the Committee are as follows:

- the Risk Management Committee, with the assistance from a firm of independent consultants and Management, continues to drive the risk management activities across all business segments of the Group on risk identification, evaluation, control, monitoring and reporting;
- management of each company within the Group's business segments, i.e. Automotive and related products, Hotels and resorts, Plantation, Plastic products, Investment holding and financial services, Healthcare and Investment properties and trading of building material products, identified the risks affecting their business by assessing the existing as well as emerging risks under the strategic, financial, operational and compliance categories. The management reported the Company's top five risks to their segment's risk coordinator for review;
- risk coordinators, in turn, assessed the overall risks faced by their business segments with the financial controller and the head of respective business segment/units, the potential impact and likelihood of those risks occurring, the control effectiveness and the action plans taken to manage those risks to the desired level;
- strategic discussions have been carried out by the independent consultants with the Executive Directors, Group Chief Financial Officer and Group Accountant on the key concerns and top risks identified. The main objectives are to obtain the inputs and to confirm the completeness of top concerns as well as the key management controls put in place to address the risks by respective business segment/units. These activities are also to engender continuous and proactive risk management activities within the Group;
- the top five (5) principal risks for each business segment, based on the significance of evaluated risks to the segment's results, were reported to the Risk Management Committee. Nonetheless, Management of each segment/ company in the Group continues to monitor and manage all risks at their level, as appropriate;
- compilation of the Group risk profile, considering the materiality of the business segment in relation to the Group risk parameters, with the top risks from each business segment selected by Management and feedback from Executive Directors on strategic risks, was carried out with assistance from consultants;
- two (2) Risk Management Committee meetings were conducted during the year on 7 April 2017 and 21 November 2017 where the significant risks of the Group and management action plans were presented for deliberations and approval. On 21 November 2017, the outcome from the interim review of 2017 risk profiles was presented and the Risk Management Committee has provided feedback on the significant risks and action plans for Management's further considerations and actions. The Management is required to update the top risks and management action plans in the subsequent meeting;
- on 1 March 2018, the top risks for the Group was presented to the Risk Management Committee for further deliberations;
- the risk mitigating measures taken and/or to be taken by Management were reported and reviewed at the Risk Management Committee meetings. For each of the risks identified, the divisional head has been assigned to ensure appropriate action plans are carried out in a timely manner; and
- the Enterprise Risk Management ("ERM") Policy and Procedures have been updated and approved with the latest risk reporting framework, e.g. risk organisation structure, frequency and risk reporting documents for the Group.

Whilst the Board considers the risk management framework to be robust to meet the Group's needs, it will still subject the framework to continuous improvement, taking into consideration better practices and the changing business environment.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTERNAL AUDIT FUNCTION

The Group has an in-house Internal Audit department, which provides the Board, through the Audit Committee, with independent assurance on the efficiency and effectiveness of risk management and internal control systems. The internal audit function adopts a risk-based internal audit methodology in reviewing key processes of the various business units in the Group and reporting directly to Audit Committee on the state of risk management and internal control of the various business units audited during the financial year.

The internal audit function will recommend action plans to improve on areas where control deficiencies are identified during the field audits. Action plans are taken by Management to address the findings and concerns raised in the internal audit reports and internal audit function will follow up on the Management's implementation of action plans. Further details of the activities of the internal audit function are provided in the Audit Committee Report.

## INTERNAL CONTROL

The key elements of the Group's internal control system described below are relevant across the Group to provide for continuous assurance to the Management and the Board:

- *limits of authority and responsibility*

Formally defined and documented lines of responsibility and delegation of authority has been established through the relevant charters/terms of reference, organisational structures and appropriate authority limits. Hierarchical reporting is also in place to enhance the Group's ability to achieve its strategies and operational objectives as well as provide for documented and auditable trail of accountability;

- *planning, monitoring, reporting and safeguarding*

- established budgeting process requiring all business segments within the Group to prepare the annual budget, taking into consideration the strategic plans, capital and operating expenditure for the upcoming financial year for discussion and approval by the Executive Committee;
- Performance Coordinating Team ("PCT") comprising Management from each business segment who reviews operational and financial Key Performance Indicators of their respective business segments and reports to the EXCO quarterly in order to assist EXCO in discharging their oversight role on the Group's activities;
- the Audit Committee reviews the quarterly financial results and evaluates the explanations and reasons for significant unusual variances noted thereof;
- information, which includes quarterly reports covering all key financial and operational indicators, is provided to key Management for monitoring of performance against budget and actions to be taken, where necessary; and
- Management meetings are held regularly to identify, discuss and resolve strategic, operational, financial and key management issues.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or
- (b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

## REVIEW BY THE BOARD

The Board is of the view that the Group's risk management and internal control system for the year under review and as at the date of this statement is adequate and effective to safeguard the stockholders' investment and the Group's asset. The Board recognises that the development of internal control system is an ongoing process and will continue to take appropriate action to further enhance the Group's system of internal control.

As recommended by the Statement on Risk Management and Internal Control-Guidelines for Directors of Listed Issuers, the Board has received assurances in writing from Executive Chairman, Group Managing Directors and Group Chief Financial Officer that the Group's risk management and internal control system has been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement.

This statement is issued in accordance with a resolution of the Directors dated 9 April 2018.

# SUSTAINABILITY STATEMENT

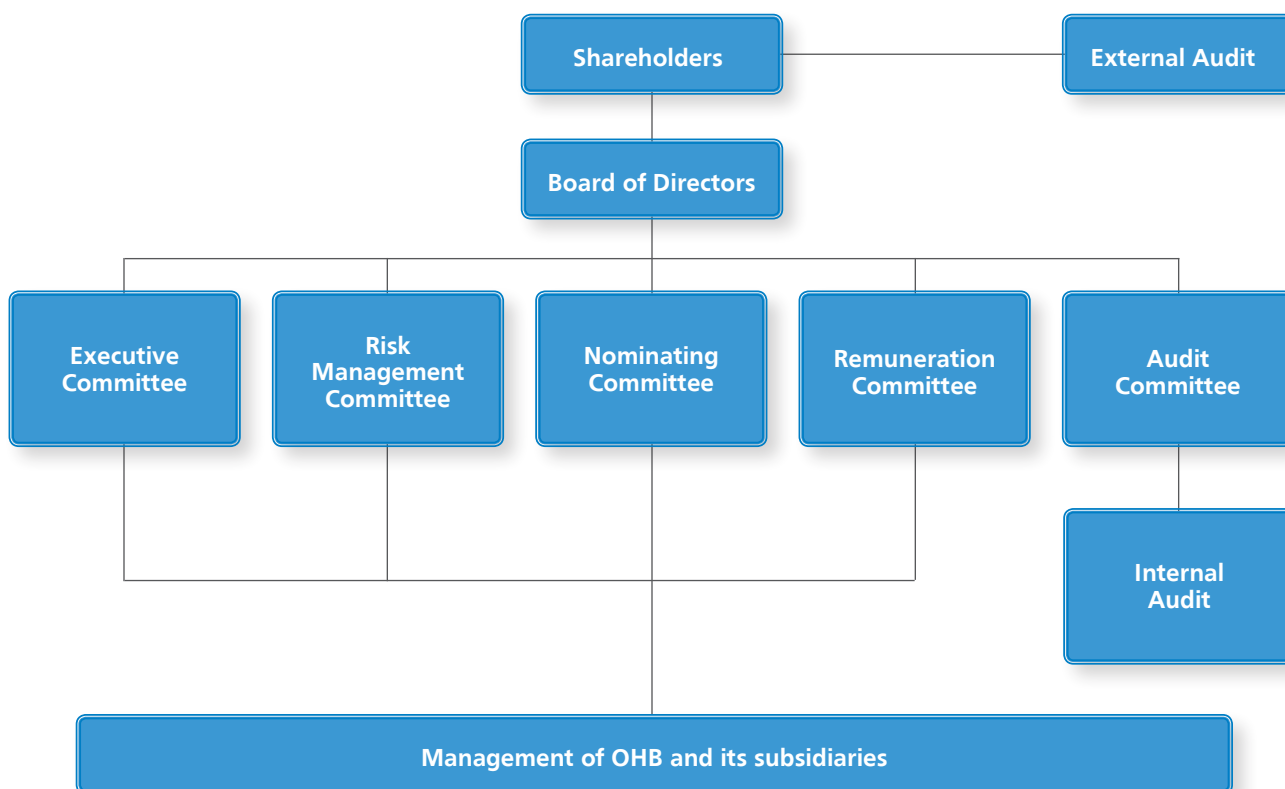
## OVERVIEW

The Sustainability Report 2017 shares Oriental Holdings Berhad (OHB)'s sustainability journey covering the successes and challenges faced over the past year. Our report articulates the continuous dedication in improving the integration of sustainability into our working environment across all divisions worldwide. Raising the bar towards aligning our initiatives with the Global Reporting Initiative ("GRI") Standards, we aspire to enhance key areas and address the gaps identified. The report further enunciates the positive growth we have achieved in creating an impact in economic performance, environment, social and community.

Our Sustainability Report has been prepared in reference with GRI Standards to meet Bursa Malaysia Securities Berhad Main Market Listing Requirements.

## GOVERNANCE STRUCTURE

The sustainability management is governed by the Board of Directors, which oversees the Members of Committees. The structure ensures efficiency and effectiveness in identifying, managing and implementing our sustainability matters.



## SCOPE

Our Sustainability Report focuses on key industries mainly Automotive, Plantation, Hospitality and Healthcare and is attempted to cover issues that are material to OHB (selected subsidiaries) for the financial year ended December 2017. Moving forward, the report will include the rest of the industries.

# SUSTAINABILITY STATEMENT

## SUSTAINABILITY MATTERS

The three sustainability matters are as follows:-

1. **Corporate Governance**

We constantly benchmark ourselves against our peers and across industries, consult with corporate governance experts and engage with key stakeholders to strengthen our processes at OHB. Compliance and governance are infused in every aspect of our business. Our commitment in instilling good governance is underscored by an extensive system of policies, processes, training and communications.

2. **Environment**

We constantly strive to reduce environmental impacts throughout our operations. We take constructive and progressive actions to develop data, mechanisms and processes to integrate environmental impacts in our business strategies.

3. **Social**

We strongly believe that prioritising the importance of keeping our people engaged and motivated correlates to our growth as well as the key driver in achieving our mission. We also value a healthy and safe work place which stimulates and positively supports our people to achieve outcomes in a safe manner, thereby contributing to operational effectiveness and business sustainability. We are committed to deepening our understanding of social issues and our responsibility to the locals.

For more detailed disclosures on our sustainability efforts, please refer to our Sustainability Report 2017, available online via our corporate website [www.ohb.com.my](http://www.ohb.com.my).

## FORWARD LOOKING STATEMENT

We want sustainability to be part of our business processes, beyond compliance and reporting. The Group is committed to embrace the real meaning of sustainability by revisiting and including sustainability aspects in our current policies and practices. We look forward to establish better tracking mediums to evaluate and consider valuable changes.

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2017.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are as follows :

- (a) investment holding; and
- (b) provision of management services.

The principal activities of its subsidiaries and associates are set out in Note 38 and Note 10 to the financial statements respectively.

There has been no significant change in the nature of these activities during the financial year.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 9 and Note 38 to the financial statements.

### RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit for the year attributable to :		
Owners of the Company	395,016	169,859
Non-controlling interests	27,226	-
	422,242	169,859

### Reserves and provisions

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

### DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows :

- i) In respect of the financial year ended 31 December 2016 as reported in the Directors' Report of that year :
  - a single tier second interim dividend of 6 sen per ordinary stock totalling RM37,221,710 declared on 22 February 2017 and paid on 7 April 2017;
  - a single tier final dividend of 8 sen per ordinary stock totalling RM49,628,946 declared on 10 April 2017 and paid on 14 July 2017; and

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### DIVIDENDS ( cont'd)

ii) In respect of the financial year ended 31 December 2017 :

- a single tier first interim dividend of 6 sen per ordinary stock totalling RM37,221,710 declared on 23 August 2017 and paid on 9 November 2017; and

A single tier second interim dividend of 6 sen per ordinary stock totalling RM37,221,710 in respect of the year ended 31 December 2017 was declared by the Directors on 27 February 2018 and paid on 6 April 2018.

A final single tier dividend of 8 sen per ordinary stock and special final single tier dividend of 20 sen per ordinary stock totalling RM49,628,946 and RM124,072,366 respectively have been recommended by the Directors in respect of the year ended 31 December 2017, subject to approval of the stockholders at the forthcoming Annual General Meeting.

#### DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are :

Datuk Loh Kian Chong, DMSM  
 Dato' Robert Wong Lum Kong, DSSA, JP  
 Dato' Seri Lim Su Tong, DGPN, DSPN  
 Tan Kheng Hwee  
 Dato' Sri Datuk Wira Tan Hui Jing, SSAP, DCSM, PKT, PJK  
 Dato' Ghazi Bin Ishak, DSSA  
 Mary Geraldine Phipps  
 Lee Kean Teong  
 Sharifah Intan Binti S. M. Aidid  
 Datin Loh Ean  
 (alternate to Dato' Robert Wong Lum Kong, DSSA, JP)  
 Keiichi Yasuda (Appointed on 9 April 2018)  
 Nobuhide Nagata (Resigned on 31 March 2018)

#### DIRECTORS OF THE SUBSIDIARIES

Directors of the subsidiaries who served during the financial year until the date of this report are as shown in the Appendix after the financial statements.

#### DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the stocks of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouse or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Balance at 1.1.2017	Bought Number of Ordinary Stocks	(Sold)	Balance at 31.12.2017
<b>Interest in the Company</b>				
<b>Dato' Robert Wong Lum Kong, DSSA, JP</b>				
<i>Direct interest</i>				
- own	181,149	-	-	181,149
<b>Dato' Seri Lim Su Tong, DGPN, DSPN</b>				
<i>Direct interest</i>				
- own	2,966,906	-	-	2,966,906
<i>Indirect interest</i>				
- others *	3,742,626	-	-	3,742,626

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### DIRECTORS' INTERESTS IN SHARES (cont'd)

	Balance at 1.1.2017	Bought Number of Ordinary Stocks	(Sold)	Balance at 31.12.2017
<b>Interest in the Company</b>				
<b>Datuk Loh Kian Chong, DMSM</b>				
<i>Direct interest</i>				
- own	320,000	180,000	-	500,000
<i>Indirect interest</i>				
- own	356,152,426	1,950,024	-	358,102,450
<b>Tan Kheng Hwee</b>				
<i>Direct interest</i>				
- own	172,032	-	-	172,032
<b>Dato' Sri Datuk Wira Tan Hui Jing, SSAP, DCSM, PKT, PJK</b>				
<i>Indirect interest</i>				
- own	-	737,000	-	737,000
<b>Mary Geraldine Phipps</b>				
<i>Indirect interest</i>				
- own	5,161	-	-	5,161
<b>Sharifah Intan Binti S. M. Aidid</b>				
<i>Direct interest</i>				
- own	18,000	-	-	18,000
<b>Datin Loh Ean</b>				
<i>Direct interest</i>				
- own	161,872	-	-	161,872
	<b>Number of Ordinary Shares</b>			

#### Interest in subsidiaries

<b>Dato' Sri Datuk Wira Tan Hui Jing, SSAP, DCSM, PKT, PJK</b>				
<i>Indirect interest - own</i>				
- Melaka Straits Medical Centre Sdn. Bhd.	58,000,000	-	(58,000,000) <sup>#</sup>	-
<b>Sharifah Intan Binti S.M. Aidid</b>				
<i>Direct interest - own</i>				
- Armstrong Auto Parts Sdn. Berhad	227,318	-	-	227,318
- Teck See Plastic Sdn. Bhd.	100,000	-	-	100,000

\* These are shares held in the name of the children and are regarded as interest of the Directors in accordance with the Companies Act.

# Ceased pursuant to Section 8(4) of the Companies Act 2016.

By virtue of his interests in the stocks of the Company, Datuk Loh Kian Chong is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Oriental Holdings Berhad has an interest.

None of the other Directors holding office at 31 December 2017 had any interest in the shares of the Company and of its related corporations during the financial year.



## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 33 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

#### **ISSUE OF SHARES AND DEBENTURES**

Pursuant to Section 68 of the Companies Act 2016, the amount standing to the credit of the capital redemption reserve of RM68,000 has become part of the share capital of the Company.

There were no other changes in the issued and paid-up capital of the Company and no debentures were issued by the Company during the financial year.

#### **OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued shares of the Company during the financial year.

#### **INDEMNITY AND INSURANCE COST**

During the year, the total amount of insurance cost effected for Directors or officers of the Company is RM136,900.

There was no indemnity given to Directors, officers or auditors of the Company during the year.

#### **OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that 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) that would render the value 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 the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **OTHER STATUTORY INFORMATION (cont'd)**

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 and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performances of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

#### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Details of the significant events during the financial year are as disclosed in Note 36 to the financial statements.

#### **SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END**

Details of the significant events subsequent to the financial year end are as disclosed in Note 37 to the financial statements.

#### **AUDITORS**

The auditors, KPMG PLT have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 25 to the financial statements.

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

.....  
**Datuk Loh Kian Chong, DMSM**  
Director

.....  
**Dato' Seri Lim Su Tong, DGPN, DSPN**  
Director

Penang

Date : 9 April 2018

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Property, plant and equipment	3	1,529,816	1,554,711	809	969
Intangible assets	4	29,594	33,957	-	-
Biological assets	5	688,862	690,041	-	-
Land held for property development	6	36,199	36,131	-	-
Prepaid land lease payments	7	62,960	63,929	-	-
Investment properties	8	1,018,773	892,135	15,057	15,061
Interests in subsidiaries	9	-	-	857,792	876,932
Investments in associates	10	593,124	590,982	34,006	34,006
Other investments	11	393,234	344,806	32,341	32,341
Deferred tax assets	12	53,111	39,184	-	-
<b>Total non-current assets</b>		<b>4,405,673</b>	<b>4,245,876</b>	<b>940,005</b>	<b>959,309</b>
Property development costs	13	3,228	3,113	-	-
Inventories	14	304,247	490,772	-	-
Trade and other receivables	15	508,092	586,896	9,142	45,933
Other investments	11	23,581	8,350	-	-
Current tax assets		32,091	35,311	342	197
Short term investments	16	906,095	716,536	-	-
Cash and cash equivalents	17	3,040,600	2,821,752	222,692	157,769
<b>Total current assets</b>		<b>4,817,934</b>	<b>4,662,730</b>	<b>232,176</b>	<b>203,899</b>
<b>Total assets</b>		<b>9,223,607</b>	<b>8,908,606</b>	<b>1,172,181</b>	<b>1,163,208</b>

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Equity</b>					
Share capital	18	620,462	620,394	620,462	620,394
Reserves	18	5,436,512	5,247,719	453,419	407,700
		<b>6,056,974</b>	5,868,113	<b>1,073,881</b>	1,028,094
<b>Treasury stocks</b>	18	<b>(249)</b>	(249)	<b>(249)</b>	(249)
<b>Total equity attributable to stockholders of the Company</b>		<b>6,056,725</b>	5,867,864	<b>1,073,632</b>	1,027,845
<b>Non-controlling interests</b>		<b>930,060</b>	951,046	-	-
<b>Total equity</b>		<b>6,986,785</b>	6,818,910	<b>1,073,632</b>	1,027,845
<b>Liabilities</b>					
Deferred tax liabilities	12	31,921	31,617	-	-
Borrowings	19	62,162	74,590	-	-
Provisions	20	88,317	73,422	-	-
Deferred income	21	4,727	4,890	-	-
Retirement benefits	22	21,679	18,357	-	-
<b>Total non-current liabilities</b>		<b>208,806</b>	202,876	-	-
Trade and other payables	23	441,313	469,611	1,473	1,271
Borrowings	19	1,519,677	1,367,826	97,076	134,092
Current tax liabilities		67,026	49,383	-	-
<b>Total current liabilities</b>		<b>2,028,016</b>	1,886,820	<b>98,549</b>	135,363
<b>Total liabilities</b>		<b>2,236,822</b>	2,089,696	<b>98,549</b>	135,363
<b>Total equity and liabilities</b>		<b>9,223,607</b>	8,908,606	<b>1,172,181</b>	1,163,208

The notes on pages 77 to 183 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	24	6,329,181	5,524,258	176,534	188,293
Cost of sales		(5,213,756)	(4,609,672)	-	-
<b>Gross profit</b>		<b>1,115,425</b>	<b>914,586</b>	<b>176,534</b>	<b>188,293</b>
Distribution expenses		(107,468)	(113,377)	-	-
Administrative expenses		(302,029)	(251,343)	(8,305)	(5,908)
Other operating expenses		(244,920)	(204,628)	(2,361)	(5,502)
Other operating income		52,541	24,948	7,871	1,964
		(601,876)	(544,400)	(2,795)	(9,446)
<b>Results from operating activities</b>		<b>513,549</b>	<b>370,186</b>	<b>173,739</b>	<b>178,847</b>
Interest expense		(20,706)	(16,362)	(1,148)	(1,397)
<b>Operating profit</b>	25	<b>492,843</b>	<b>353,824</b>	<b>172,591</b>	<b>177,450</b>
Share of profit after tax of equity accounted associates	10	26,036	33,308	-	-
<b>Profit before tax</b>		<b>518,879</b>	<b>387,132</b>	<b>172,591</b>	<b>177,450</b>
Income tax expense	27	(96,637)	(88,919)	(2,732)	(2,927)
<b>Profit for the year</b>		<b>422,242</b>	<b>298,213</b>	<b>169,859</b>	<b>174,523</b>

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
<b>Other comprehensive (expense)/income, net of tax</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit liability		(1,552)	87	-	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operations		(163,749)	79,492	-	-
Fair value of available-for-sale financial assets		45,294	12,727	-	-
Share of other comprehensive expense of equity accounted associates	10	(219)	(533)	-	-
	26	(118,674)	91,686	-	-
<b>Total other comprehensive (expense)/ income for the year</b>		(120,226)	91,773	-	-
<b>Total comprehensive income for the year</b>		302,016	389,986	169,859	174,523
<b>Profit attributable to :</b>					
Owners of the Company		395,016	279,484	169,859	174,523
Non-controlling interests		27,226	18,729	-	-
<b>Profit for the year</b>		422,242	298,213	169,859	174,523
<b>Total comprehensive income attributable to :</b>					
Owners of the Company		312,933	346,214	169,859	174,523
Non-controlling interests		(10,917)	43,772	-	-
<b>Total comprehensive income for the year</b>		302,016	389,986	169,859	174,523
<b>Basic earnings per ordinary stock (sen)</b>	28	63.68	45.05		

The notes on pages 77 to 183 are an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2017

Attributable to stockholders of the Company												
	Non-distributable						Distributable					
	Share capital RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Capital redemption reserve RM'000	Asset revaluation reserve RM'000	Treasury stocks RM'000	Retained earnings RM'000	Capital reserve RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group												
At 1 January 2016	620,394	2,172	958,149	76,280	68	474	(249)	3,948,186	40,248	5,645,722	893,798	6,539,520
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	40	-	40	47	87
Foreign currencies translation differences for foreign operations	-	-	57,935	-	-	-	-	-	-	57,935	21,557	79,492
Fair value of available-for-sale financial assets	-	-	-	9,288	-	-	-	-	-	9,288	3,439	12,727
Share of other comprehensive expense of equity accounted associates	-	-	-	(533)	-	-	-	-	-	(533)	-	(533)
Total other comprehensive income for the year	-	-	57,935	8,755	-	-	-	40	-	66,730	25,043	91,773
Profit for the year	-	-	-	-	-	-	-	279,484	-	279,484	18,729	298,213
Total comprehensive income for the year	-	-	57,935	8,755	-	-	-	279,524	-	346,214	43,772	389,986
Dividends paid to stockholders	-	-	-	-	-	-	-	(124,072)	-	(124,072)	-	(124,072)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(12,304)	(12,304)
Shares issued to non-controlling interests	-	-	-	-	-	-	-	-	-	-	25,780	25,780
Total distribution to owners	-	-	-	-	-	-	-	(124,072)	-	(124,072)	13,476	(110,596)
At 31 December 2016	620,394	2,172	1,016,084	85,035	68	474	(249)	4,103,638	40,248	5,867,864	951,046	6,818,910

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to stockholders of the Company											
	Non-distributable					Distributable						
	Share capital RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Capital redemption reserve RM'000	Asset revaluation reserve RM'000	Treasury stocks RM'000	Retained earnings RM'000	Capital reserve RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group												
At 1 January 2017	620,394	2,172	1,016,084	85,035	68	474	(249)	4,103,638	40,248	5,867,864	951,046	6,818,910
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	(722)	-	(722)	(830)	(1,552)
Foreign currency translation differences for foreign operations	-	-	(120,108)	-	-	-	-	-	-	(120,108)	(43,641)	(163,749)
Fair value of available-for-sale financial assets	-	-	-	39,073	-	-	-	(107)	-	38,966	6,328	45,294
Share of other comprehensive expense of equity accounted associates	-	-	-	(219)	-	-	-	-	-	(219)	-	(219)
Total other comprehensive (expense)/income for the year	-	-	(120,108)	38,854	-	-	-	(829)	-	(82,083)	(38,143)	(120,226)
Profit for the year	-	-	-	-	-	-	-	395,016	-	395,016	27,226	422,242
Total comprehensive (expense)/income for the year	-	-	(120,108)	38,854	-	-	-	394,187	-	312,933	(10,917)	302,016
Dividends paid to stockholders	-	-	-	-	-	-	-	(124,072)	-	(124,072)	-	(124,072)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,700)	(19,700)
Liquidation/Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(169)	(169)
Shares issued to non-controlling interests	-	-	-	-	-	-	-	-	-	-	9,800	9,800
Total distribution to owners	-	-	-	-	-	-	-	(124,072)	-	(124,072)	(10,069)	(134,141)
Transfer in accordance with Section 618(2) of the Companies Act 2016	68	-	-	-	(68)	-	-	-	-	-	-	-
At 31 December 2017	620,462	2,172	895,976	123,889	-	474	(249)	4,373,753	40,248	6,056,725	930,060	6,986,785



# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2017

		Non-distributable			Distributable		
	Note	Share capital RM'000	Capital redemption reserve RM'000	Treasury stocks RM'000	Retained earnings RM'000	Capital reserve RM'000	Total equity RM'000
Company							
At 1 January 2016		620,394	68	(249)	327,189	29,992	977,394
Profit for the year representing total comprehensive income		-	-	-	174,523	-	174,523
Dividends to stockholders	29	-	-	-	(124,072)	-	(124,072)
At 31 December 2016/ 1 January 2017		620,394	68	(249)	377,640	29,992	1,027,845
Profit for the year representing total comprehensive income		-	-	-	169,859	-	169,859
Dividends to stockholders	29	-	-	-	(124,072)	-	(124,072)
Transfer in accordance with Section 618(2) of the Companies Act 2016		68	(68)	-	-	-	-
At 31 December 2017		620,462	-	(249)	423,427	29,992	1,073,632

The notes on pages 77 to 183 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		<b>518,879</b>	387,132	<b>172,591</b>	177,450
Adjustments for :					
Amortisation of :					
- biological assets	5	<b>23,508</b>	21,364	-	-
- prepaid land lease payments	7	<b>2,932</b>	2,858	-	-
- intangible assets	4	<b>736</b>	744	-	-
Depreciation of :					
- property, plant and equipment	3	<b>107,016</b>	104,072	<b>274</b>	255
- investment properties	8	<b>6,436</b>	4,262	<b>4</b>	3
Dividend income	24	<b>(59,789)</b>	(85,592)	<b>(162,906)</b>	(173,768)
Interest income	24	<b>(92,051)</b>	(83,390)	<b>(12,098)</b>	(13,114)
Interest expense	25	<b>20,706</b>	16,362	<b>1,148</b>	1,397
Assets written off :					
- property, plant and equipment	25	<b>1,182</b>	2,550	-	-
- biological assets	25	<b>285</b>	270	-	-
- investment properties	25	<b>2</b>	73	-	-
Impairment loss on :					
- property, plant and equipment	3	-	128	-	-
- intangible assets	4	<b>1,167</b>	12,701	-	-
- biological assets	5	<b>2,074</b>	12,147	-	-
- investment properties	8	<b>1,430</b>	-	-	-
- other investments	25	<b>2,427</b>	1,077	-	-
- investment in subsidiaries	25	-	-	<b>2,300</b>	-
(Gain)/Loss on disposal of :					
- property, plant and equipment	25	<b>(3,901)</b>	15,837	<b>(11)</b>	-
- other investments	25	<b>(4,034)</b>	683	-	-
- a subsidiary	25	<b>(22,289)</b>	-	<b>61</b>	-
(Gain)/Loss on liquidation of a subsidiary	25	<b>(78)</b>	3	-	-
Provision for retirement benefits	22	<b>3,884</b>	3,867	-	-
Share of profits of equity-accounted associates, net of tax	10	<b>(26,036)</b>	(33,308)	-	-
Unrealised loss/(gain) on foreign exchange on borrowings	19	<b>50,348</b>	(4,654)	<b>(5,343)</b>	6,908
Operating profit/(loss) before changes in working capital		<b>534,834</b>	379,186	<b>(3,980)</b>	(869)

## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Changes in working capital :					
Property development costs		(115)	(165)	-	-
Inventories		179,842	(216,836)	-	-
Trade and other receivables		64,180	(112,008)	36,791	(24,125)
Trade and other payables		2,613	131,503	202	140
Cash generated from/(used in) operations		<b>781,354</b>	181,680	<b>33,013</b>	(24,854)
Dividends received (net)		<b>78,273</b>	93,381	<b>162,906</b>	173,768
Interest paid		(20,530)	(16,179)	(1,148)	(1,397)
Tax paid		(91,019)	(97,411)	(2,877)	(2,833)
Retirement benefits paid	22	(563)	(110)	-	-
<b>Net cash from operating activities</b>		<b>747,515</b>	161,361	<b>191,894</b>	144,684
<b>Cash flows from investing activities</b>					
Additions of :					
- property, plant and equipment	A	(117,370)	(92,731)	(115)	(5)
- intangible assets	4	(220)	(744)	-	-
- biological assets	5	(99,686)	(125,712)	-	-
- land held for property development	6	(68)	(66)	-	-
- prepaid land lease payment	7	(3,621)	-	-	-
- investment properties	8	(146,691)	(66,554)	-	-
- interests in subsidiaries		-	-	(9,847)	(21,000)
- other investments		(132,081)	(83,657)	-	-
Interest received		91,734	84,262	12,098	13,114
Proceeds from disposal of :					
- other investments		95,254	71,550	-	-
- a subsidiary	36(i)	27,002	-	26,626	-
- property, plant and equipment		8,158	4,071	12	-
- prepaid land lease payment		833	-	-	-
- investment properties		324	-	-	-
Increase in short term investment, net		(189,559)	(192,221)	-	-
<b>Net cash (used in)/from investing activities</b>		<b>(465,991)</b>	(401,802)	<b>28,774</b>	(7,891)

## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from financing activities</b>					
Dividends paid to :					
- stockholders of the Company		<b>(124,072)</b>	(124,072)	<b>(124,072)</b>	(124,072)
- non-controlling interests		<b>(19,700)</b>	(12,304)	-	-
Placement of fixed deposits pledged for banking facilities		<b>(37,518)</b>	(128,014)	-	-
Changes in bank borrowings	<b>19</b>	<b>241,111</b>	195,602	<b>(31,673)</b>	20,180
Proceeds from issue of shares to non-controlling interests		<b>9,800</b>	25,780	-	-
<b>Net cash from/(used in) financing activities</b>		<b>69,621</b>	(43,008)	<b>(155,745)</b>	(103,892)
Net increase/(decrease) in cash and cash equivalents		<b>351,145</b>	(283,449)	<b>64,923</b>	32,901
Cash and cash equivalents at 1 January		<b>2,192,937</b>	2,387,114	<b>157,769</b>	124,868
Effect of exchange rate fluctuations on cash held		<b>(168,495)</b>	89,272	-	-
<b>Cash and cash equivalents at 31 December</b>	<b>B</b>	<b>2,375,587</b>	2,192,937	<b>222,692</b>	157,769

Notes to statements of cash flows

A. *Additions of property, plant and equipment*

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of **RM123,057,000** (2016 : RM97,260,000) of which **RM5,687,000** (2016 : RM4,529,000) was acquired by hire purchase/lease arrangements.

## STATEMENTS OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2017

**B. Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts :

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits	<b>17</b>	<b>1,776,139</b>	1,844,741	<b>118,528</b>	149,988
Cash and bank balances	<b>17</b>	<b>1,185,144</b>	969,280	<b>27,203</b>	2,673
Unit trust money market funds	<b>17</b>	<b>79,317</b>	7,731	<b>76,961</b>	5,108
		<b>3,040,600</b>	2,821,752	<b>222,692</b>	157,769
Less :					
Deposits pledged	<b>17.1</b>	<b>(665,013)</b>	(627,495)	-	-
Bank overdrafts	<b>19</b>	-	(1,320)	-	-
		<b>2,375,587</b>	2,192,937	<b>222,692</b>	157,769

The notes on pages 77 to 183 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Oriental Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows :

## **Registered office**

Suite 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A, Jalan Sultan Ahmad Shah  
10050 Penang

## **Principal place of business**

1<sup>st</sup> Floor, 25B Lebuhr Farquhar  
10200 Penang

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates.

The principal activities of the Company are as follows :

- (a) investment holding; and
- (b) provision of management services.

The principal activities of its subsidiaries and associates are set out in Notes 38 and 10 to the financial statements respectively.

These financial statements were authorised for issue by the Board of Directors on 9 April 2018.

## **1. BASIS OF PREPARATION**

### **(a) Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs) and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and by the Company:

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (cont'd)

#### (a) Statement of compliance (cont'd)

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- *IC Interpretation 23, Uncertainty over Income Tax Treatments*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company falls within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate* MFRS 141, *Agriculture*. Therefore, the Company is currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") and is referred to as a "Transitioning Entity".

The Group's and the Company's financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs).

The adoption of MFRSs is not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

#### (i) **MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company have assessed the estimated impact that the initial application of MFRS 15 will have on their financial statements as at 1 January 2018. Based on the assessment, the Group and the Company do not expect the application of MFRS 15 to have a significant impact on their financial statements.

#### (ii) **MFRS 9, Financial Instruments**

MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. MFRS 9 requires the unquoted other investment of the Group to be stated at fair value. Retrospective application is required.

Based on the assessment, the Group and the Company do not expect the application of MFRS 9 to have a significant impact on profit for the year of the Group and the Company. The Group and the Company are however still assessing the financial impacts MFRS 9 will have on their financial statements arising from the need in fair valuing unquoted other investments.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (cont'd)

#### (a) Statement of compliance (cont'd)

##### (iii) **MFRS 141, *Agriculture and Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants***

MFRS 141 requires biological assets, except for bearer plants to be measured at fair value less costs to sell from initial recognition up to the point of harvest, other than when fair value cannot be measure reliably on initial recognition. This standard requires subsequent change in fair value less costs to sell of biological asset be included in profit or loss for the period which it arises.

The Group has assessed the estimated impact that the initial application of MFRS 141 will have on its financial statements as at 1 January 2018. Based on the assessment, the Group does not expect the application of MFRS 141 to have a significant impact on its financial statements.

##### (iv) **MFRS 16, *Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

#### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis unless otherwise stated.

#### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with Financial Reporting Standards ("FRS") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in :-

Note 4 - assessment on impairment of goodwill

Note 9 - impairment loss of investment in subsidiaries



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns 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 control only when such rights are substantive. The Group considers it has 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### (iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (a) Basis of consolidation (cont'd)

##### (iv) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; and for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

##### (v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. 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. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

##### (vi) Associates

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

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (a) Basis of consolidation (cont'd)

##### (vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

##### (viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (b) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

##### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (b) Foreign currency (cont'd)

##### (ii) Operations denominated in functional currencies other than Ringgit Malaysia (cont'd)

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

#### (c) Financial instruments

##### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

##### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

#### ***Financial assets***

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Financial instruments (cont'd)

##### (ii) Financial instrument categories and subsequent measurement (cont'd)

###### *Financial assets (cont'd)*

###### **(b) Held-to-maturity investments**

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

###### **(c) Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

###### **(d) Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(p)(i)).

###### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Financial instruments (cont'd)

##### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

##### (iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

##### (v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Freehold land and capital work-in-progress are measured at cost/valuation less any accumulated impairment losses. All other property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group has availed itself to the transitional provision when MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain properties were revalued in 1976 and 1978 and no later valuation has been recorded for these property, plant and equipment.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Property, plant and equipment (cont'd)

##### (i) Recognition and measurement (cont'd)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the asset revaluation reserve are transferred to retained earnings.

##### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital-work-in-progress are not depreciated until the assets are ready for their intended use.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Property, plant and equipment (cont'd)

##### (iii) Depreciation (cont'd)

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows :

	%
• Buildings	2 - 10
• Plant and machinery	7 - 33 1/3
• Furniture, fixtures, fittings and equipment	5 - 50
• Vehicles	20
• Assembly plant	2 - 10

The initial cost of hotel operating equipment (included under furniture, fixtures, fittings and equipment) such as linen, crockery, glassware, cutlery and kitchen utensils has been capitalised and is not depreciated. Subsequent acquisition to replace these operating assets are written off in the year in which they are incurred.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

#### (e) Leased assets

##### (i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

##### (ii) Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property, and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred. Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (f) Intangible assets

##### (i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

##### (ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

##### (iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

##### (iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

##### (v) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 3 years from the date that they are available for use.

Amortisation method, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Biological assets

New planting expenditure incurred on land clearing to the point of harvesting is capitalised at cost as biological assets.

Expenditure on new planting and replanting and upkeep of immature areas are amortised over the estimated economic useful lives of the trees. Amortisation is deferred until the planted areas attain maturity and the rate used is 5% per annum.

#### (h) Land held for property development

Land held for property development consist of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle of 2 to 3 years. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses, if any.

Land held for property development is reclassified as property development costs 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.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

#### (i) Investment properties

##### Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Cost includes expenditure that is attributable to the acquisition of the investment property. The cost of self-constructed investment property includes of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Transfers between investment property, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings. Leasehold land is depreciated over the lease term and freehold land is not depreciated.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

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

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

#### (k) Inventories

##### (i) Completed development properties

Completed development properties are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis and includes land, all direct building costs and appropriate proportions of common costs attributable to developing the properties to completion.

##### (ii) Other inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of assembled motor vehicles and knocked-down units is determined on specific identification and cost of other inventories is principally determined on a first-in, first-out basis.

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

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

#### (l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments (including the accounts maintained pursuant to the Housing Development (Control and Licensing) Act, 1966). For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

##### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

##### (ii) Ordinary Stocks

Ordinary stocks are classified as equity.

##### (iii) Repurchase, disposal and reissue of share capital (treasury stocks)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

#### (n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

##### (i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

##### (ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (o) Contingencies

##### (i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

##### (ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

#### (p) Impairment

##### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (p) Impairment (cont'd)

##### (i) Financial assets (cont'd)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

##### (ii) Other assets

The carrying amounts of other assets (except for inventories, property development costs and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (q) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (iii) Defined benefits plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### (iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months from the end of the reporting period, then they are discounted.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (r) Deferred income

##### (i) Extended warranty package income

Extended warranty package income received and receivable are taken to the deferred income account and are recognised as revenue when services are provided. Upon the expiry of the extended warranty package, any unutilised value of the extended warranty package is taken to profit or loss.

##### (ii) Service package income

Service package income received and receivable are taken to the deferred income account and are recognised as revenue when services are provided. Upon the expiry of the service package, any unutilised value of the service package is taken to profit or loss.

#### (s) Revenue and other income

##### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

##### (ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

##### (iii) Property development

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated property development costs.

Where the financial outcome of a property development activities cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (s) Revenue and other income (cont'd)

##### (iv) Developed properties

Revenue relating to sale of developed properties is recognised net of discounts when risks and rewards have been transferred.

##### (v) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

##### (vi) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

##### (vii) Commission

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

##### (viii) Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

#### (t) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (u) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

#### (v) Earnings per ordinary stock

The Group presents basic earnings per stock data for its ordinary stocks ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary stockholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

#### (w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case are the Chairman and Executive Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (x) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

#### (y) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes 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 non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT

	At 31 December			
	Cost/ Valuation	Accumulated depreciation	Accumulated impairment loss	Net book value
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
<b>2017</b>				
Freehold land :				
At valuation				
- 1978	5,019	-	-	5,019
At cost	233,490	-	-	233,490
Short term leasehold land :				
At valuation				
- 1978	255	152	-	103
At cost	108,908	58,388	-	50,520
Long term leasehold land :				
At valuation				
- 1978	2,054	960	-	1,094
At cost	35,039	4,254	-	30,785
Buildings :				
At valuation				
- 1978	260	152	-	108
At cost	1,448,929	508,762	-	940,167
Other assets at cost :				
Assembly plant	4,830	4,810	-	20
Plant and machinery	611,421	466,125	-	145,296
Furniture, fixtures, fittings, equipment and vehicles	373,622	254,156	1,020	118,446
Capital work-in-progress	4,768	-	-	4,768
	<b>2,828,595</b>	<b>1,297,759</b>	<b>1,020</b>	<b>1,529,816</b>
	<b>Note 3.1</b>	<b>Note 3.2</b>	<b>Note 3.2</b>	

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	At 31 December			
	Cost/ Valuation RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
<b>Group</b>				
<b>2016</b>				
Freehold land :				
At valuation				
- 1978	5,019	-	-	5,019
At cost	232,651	-	-	232,651
Short term leasehold land :				
At valuation				
- 1976	1,187	914	-	273
- 1978	255	152	-	103
At cost	114,764	59,557	-	55,207
Long term leasehold land :				
At valuation				
- 1978	2,054	947	-	1,107
At cost	35,039	3,833	-	31,206
Buildings :				
At valuation				
- 1976	2,037	2,037	-	-
- 1978	260	152	-	108
At cost	1,473,957	509,739	-	964,218
Other assets at cost :				
Assembly plant	4,830	4,809	-	21
Plant and machinery	665,932	521,996	-	143,936
Furniture, fixtures, fittings, equipment and vehicles	364,100	254,115	1,020	108,965
Capital work-in-progress	11,897	-	-	11,897
	2,913,982	1,358,251	1,020	1,554,711
	Note 3.1	Note 3.2	Note 3.2	

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	At 31 December		
	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
<b>Company</b>			
<b>2017</b>			
Freehold land	289	-	289
Furniture, fixtures, fittings, equipment and vehicles	1,973	1,453	520
	<b>2,262</b>	<b>1,453</b>	<b>809</b>
	<b>Note 3.1</b>	<b>Note 3.2</b>	
<b>2016</b>			
Freehold land	289	-	289
Furniture, fixtures, fittings, equipment and vehicles	1,939	1,259	680
	<b>2,228</b>	<b>1,259</b>	<b>969</b>
	<b>Note 3.1</b>	<b>Note 3.2</b>	

Please refer Notes 3.1 and 3.2 for detailed movement of cost/valuation and accumulated depreciation and accumulated impairment losses of property, plant and equipment of the Group and of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### 3.1 Detailed movements in cost/valuation are as follows :-

Group	At 1 January 2017 RM'000	Additions RM'000	Disposal/ Write-off RM'000	Derecognition through disposal of a subsidiary RM'000	Reclassification RM'000	Exchange differences RM'000	At 31 December 2017 RM'000
At valuation 1978 :							
Freehold land	5,019	-	-	-	-	-	5,019
Short term leasehold land	255	-	-	-	-	-	255
Long term leasehold land	2,054	-	-	-	-	-	2,054
Buildings	260	-	-	-	-	-	260
At valuation 1976 :							
Buildings	2,037	-	-	(2,037)	-	-	-
Short term leasehold land	1,187	-	-	(1,187)	-	-	-
At cost :							
Freehold land	232,651	-	-	-	3,900	(3,061)	233,490
Short term leasehold land	114,764	-	-	(3,409)	-	(2,447)	108,908
Long term leasehold land	35,039	-	-	-	-	-	35,039
Buildings	1,473,957	35,014	(155)	(24,867)	(1,321)	(33,699)	1,448,929
Assembly plant	4,830	-	-	-	-	-	4,830
Plant and machinery	665,932	38,956	(24,824)	(56,665)	5,133	(17,111)	611,421
Furniture, fixtures, fittings, equipment and vehicles	364,100	37,200	(23,497)	(2,063)	7,686	(9,804)	373,622
Capital work-in-progress	11,897	11,887	(3,203)	-	(15,398)	(415)	4,768
	<b>2,913,982</b>	<b>123,057</b>	<b>(51,679)</b>	<b>(90,228)</b>	<b>-</b>	<b>(66,537)</b>	<b>2,828,595</b>

Note 3

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### 3.1 Detailed movements in cost/valuation are as follows :- (cont'd)

Group	At 1 January 2016 RM'000	Additions RM'000	Disposal/ Write-off RM'000	Reclassification RM'000	Transfer to investment properties RM'000	Exchange differences RM'000	At 31 December 2016 RM'000
At valuation 1978 :							
Freehold land	5,019	-	-	-	-	-	5,019
Short term leasehold land	255	-	-	-	-	-	255
Long term leasehold land	2,054	-	-	-	-	-	2,054
Buildings	260	-	-	-	-	-	260
At valuation 1976 :							
Buildings	2,037	-	-	-	-	-	2,037
Short term leasehold land	1,187	-	-	-	-	-	1,187
At cost :							
Freehold land	226,845	-	-	720	(401)	5,487	232,651
Short term leasehold land	112,667	-	-	-	-	2,097	114,764
Long term leasehold land	36,151	-	-	-	(1,112)	-	35,039
Buildings	1,458,306	13,348	(33,685)	49,198	(7,111)	(6,099)	1,473,957
Assembly plant	4,830	-	-	-	-	-	4,830
Plant and machinery	621,595	19,084	(27,385)	40,034	-	12,604	665,932
Furniture, fixtures, fittings, equipment and vehicles	348,706	25,767	(25,063)	8,719	-	5,971	364,100
Capital work-in-progress	82,520	39,061	(12,016)	(98,671)	-	1,003	11,897
	2,902,432	97,260	(98,149)	-	(8,624)	21,063	2,913,982

Note 8

Note 3



## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### 3.1 Detailed movements in cost are as follows :- (cont'd)

	At 1 January 2017 RM'000	Additions RM'000	Disposal RM'000	At 31 December 2017 RM'000
<b>Company</b>				
At cost :				
Freehold land	289	-	-	289
Furniture, fixtures, fittings, equipment and vehicles	1,939	115	(81)	1,973
	<b>2,228</b>	<b>115</b>	<b>(81)</b>	<b>2,262</b>
	Note 3			

	At 1 January 2016 RM'000	Additions RM'000	Reclassification RM'000	At 31 December 2016 RM'000
<b>Company</b>				
At cost :				
Freehold land	289	-	-	289
Furniture, fixtures, fittings, equipment and vehicles	1,435	5	499	1,939
Capital work-in-progress	499	-	(499)	-
	<b>2,223</b>	<b>5</b>	<b>-</b>	<b>2,228</b>
	Note 3			

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### 3.2 Detailed movements in accumulated depreciation are as follows :-

Group	At 1 January 2017 RM'000	Depreciation for the year RM'000	Disposal/ Write-off RM'000	Derecognition through disposal of a subsidiary RM'000	Reclassification RM'000	Exchange differences RM'000	At 31 December 2017 RM'000
<b>Accumulated depreciation</b>							
At valuation 1978 :							
Buildings	152	-	-	-	-	-	152
Short term leasehold land	152	-	-	-	-	-	152
Long term leasehold land	947	13	-	-	-	-	960
At valuation 1976 :							
Buildings	2,037	-	-	(2,037)	-	-	-
Short term leasehold land	914	10	-	(924)	-	-	-
At cost :							
Short term leasehold land	59,557	2,443	-	(2,286)	-	(1,326)	58,388
Long term leasehold land	3,833	421	-	-	-	-	4,254
Buildings	509,739	36,710	(129)	(21,210)	-	(16,348)	508,762
Assembly plant	4,809	1	-	-	-	-	4,810
Plant and machinery	521,996	35,276	(23,292)	(56,643)	90	(11,302)	466,125
Furniture, fixtures, fittings, equipment and vehicles	254,115	32,142	(22,823)	(2,036)	(90)	(7,152)	254,156
	<b>1,358,251</b>	<b>107,016</b>	<b>(46,244)</b>	<b>(85,136)</b>	<b>-</b>	<b>(36,128)</b>	<b>1,297,759</b>

Note 25

Note 3

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### 3.2 Detailed movements in accumulated depreciation are as follows :- (cont'd)

Group	At 1 January 2016 RM'000	Depreciation for the year RM'000	Disposal/ Write-off RM'000	Reclassification RM'000	Transfer to investment properties RM'000	Exchange differences RM'000	At 31 December 2016 RM'000
<b>Accumulated depreciation</b>							
At valuation 1978 :							
Buildings	152	-	-	-	-	-	152
Short term leasehold land	152	-	-	-	-	-	152
Long term leasehold land	934	13	-	-	-	-	947
At valuation 1976 :							
Buildings	2,037	-	-	-	-	-	2,037
Short term leasehold land	890	24	-	-	-	-	914
At cost :							
Short term leasehold land	56,039	2,407	-	-	-	1,111	59,557
Long term leasehold land	3,911	440	-	-	(518)	-	3,833
Buildings	481,016	35,998	(15,437)	12	(4,236)	12,386	509,739
Assembly plant	4,808	1	-	-	-	-	4,809
Plant and machinery	501,513	37,478	(25,383)	(13)	-	8,401	521,996
Furniture, fixtures, fittings, equipment and vehicles	249,032	27,711	(27,607)	1	-	4,978	254,115
	1,300,484	104,072	(68,427)	-	(4,754)	26,876	1,358,251

Note 3

Note 8

Note 25

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### 3.2 Detailed movements in accumulated impairment losses are as follows :- (cont'd)

	At 1 January 2017 RM'000	Impairment loss for the year RM'000	Write-off RM'000	Exchange differences RM'000	At 31 December 2017 RM'000
<b>Group</b>					
<b>Accumulated impairment losses</b>					
Furniture, fixtures, fittings, equipment and vehicles	1,020	-	-	-	1,020
	<b>1,020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020</b>
	Note 25				Note 3
	At 1 January 2016 RM'000	Impairment loss for the year RM'000	Write-off RM'000	Exchange differences RM'000	At 31 December 2016 RM'000
<b>Group</b>					
<b>Accumulated impairment losses</b>					
Furniture, fixtures, fittings, equipment and vehicles	892	128	-	-	1,020
Capital work in progress	5,964	-	(7,264)	1,300	-
	<b>6,856</b>	<b>128</b>	<b>(7,264)</b>	<b>1,300</b>	<b>1,020</b>
	Note 25				Note 3

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### 3.2 Detailed movements in accumulated depreciation are as follows :- (cont'd)

	At 1 January 2017 RM'000	Depreciation for the year RM'000	Disposals RM'000	At 31 December 2017 RM'000
<b>Company</b>				
<b>Accumulated depreciation</b>				
At cost :				
Furniture, fixtures, fittings, equipment and vehicles	1,259	274	(80)	1,453
	<u>1,259</u>	<u>274</u>	<u>(80)</u>	<u>1,453</u>
		Note 25		Note 3

	At 1 January 2016 RM'000	Depreciation for the year RM'000	At 31 December 2016 RM'000
<b>Company</b>			
<b>Accumulated depreciation</b>			
At cost :			
Furniture, fixtures, fittings, equipment and vehicles	1,004	255	1,259
	<u>1,004</u>	<u>255</u>	<u>1,259</u>
		Note 25	Note 3

The property, plant and equipment are shown at Directors' valuation in the years indicated based on the following valuation exercises carried out :

In 1976 - By a firm of professional valuers on a 'replacement cost' basis.

In 1978 - By Government Valuers on an 'open market value' basis.

Subsequent acquisitions are shown at cost while disposals are at valuation or cost as appropriate.

#### 3.3 Assets under hire purchase and leasing arrangements

Assets financed under leasing instalment plans included in the net book value of property, plant and equipment of the Group are as follows:

	2017 RM'000	2016 RM'000
Plant and machinery	15,167	13,254
Furniture, fixtures, fittings, equipment and vehicles	1,946	1,936
	<u>17,113</u>	<u>15,190</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

#### 3.4 Security

Freehold land and building of the Group with carrying amount of **RM134,100,000** (2016: RM137,700,000) are pledged to the bank as securities for the secured term loans of the Group (see Note 19).

#### 3.5 Carrying amounts of revalued property, plant and equipment

The carrying amounts of the revalued assets (under property, plant and equipment) had they been stated at cost less accumulated depreciation are as follows :

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
<b>2017</b>			
<b>At Valuation 1978 :</b>			
Freehold land	1,022	-	1,022
Short term leasehold land	23	23	-
Long term leasehold land	1,400	682	718
Buildings	285	158	127
	<b>2,730</b>	<b>863</b>	<b>1,867</b>

#### 2016

##### At Valuation 1976 :

Short term leasehold land	187	160	27
Buildings	1,713	1,495	218
	1,900	1,655	245

##### At Valuation 1978 :

Freehold land	1,022	-	1,022
Short term leasehold land	23	23	-
Long term leasehold land	1,400	677	723
Buildings	285	155	130
	2,730	855	1,875
	<b>4,630</b>	<b>2,510</b>	<b>2,120</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4. INTANGIBLE ASSETS - GROUP

	Note	Goodwill RM'000	Development cost RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2016		48,723	2,673	51,396
Additions		-	744	744
Impairment loss	25	(12,701)	-	(12,701)
Exchange differences		(3,171)	-	(3,171)
At 31 December 2016/1 January 2017		<b>32,851</b>	<b>3,417</b>	<b>36,268</b>
Additions		-	220	220
Impairment loss	25	(1,167)	-	(1,167)
Exchange differences		(2,680)	-	(2,680)
At 31 December 2017		<b>29,004</b>	<b>3,637</b>	<b>32,641</b>
<b>Amortisation</b>				
At 1 January 2016		-	1,567	1,567
Amortisation for the year	25	-	744	744
At 31 December 2016/1 January 2017		-	<b>2,311</b>	<b>2,311</b>
Amortisation for the year	25	-	<b>736</b>	<b>736</b>
At 31 December 2017		-	<b>3,047</b>	<b>3,047</b>
<b>Carrying amounts</b>				
At 31 December 2016		32,851	1,106	33,957
At 31 December 2017		<b>29,004</b>	<b>590</b>	<b>29,594</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4. INTANGIBLE ASSETS - GROUP (cont'd)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the following business segments as independent CGUs :

	Group	
	2017 RM'000	2016 RM'000
Automotive and related products	1,172	1,172
Plastic products	2,117	2,117
Plantation	22,584	26,431
Hotels and resorts	1,004	1,004
Multiple units without significant goodwill	2,127	2,127
	<b>29,004</b>	<b>32,851</b>

#### (a) Key sources of estimation uncertainty

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount based on the higher of fair value less costs of disposal and the value in use of the cash-generating units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 December 2017 was approximately **RM29,004,000** (2016 : RM32,851,000).

#### (b) Goodwill allocated to plantations in Indonesia

For the purpose of impairment testing, goodwill is allocated to the Group's individual plantation which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Each subsidiary in the plantation segment with its assets which consists of goodwill, biological assets, property, plant and equipment and working capital, is regarded as one cash generating unit by the Group.

The carrying amount of a cash generating unit in plantation amounting to RM146,005,000 were determined to be higher than its recoverable amount of RM144,838,000. Slow development on this plantation has led to the goodwill attributable to owners of the Company of RM1,167,000 being identified as impaired and written off during the financial year. The write-off of goodwill were charged to the income statement and are included in other operating expense of the Group.

The recoverable amount of each cash generating unit was assessed using either the fair value less cost of disposal method based on the valuation carried out by an independent firm of valuers or the value in use method based on discounted cash flows by the management. The discount rate applied in the valuation is at a post-tax rate of **8.94%** (2016 : 9.65%).

Meanwhile, in the previous financial year, two cash generating units amounting to RM107,986,000 and RM159,997,000 were determined to be higher than their recoverable amount of RM82,606,000 and RM142,119,000 respectively. Total goodwill attributable to owners of the Company of RM12,701,000 was impaired and written off, and was included in other operating expense of the Group in the financial year ended 31 December 2016.

The above estimates are particularly sensitive in the following areas :-

- An increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM36,537,000.
- A 1% decline in selling price would have increased the impairment loss by RM9,296,000.



## NOTES TO THE FINANCIAL STATEMENTS

### 4. INTANGIBLE ASSETS - GROUP (cont'd)

#### (c) Recoverable amount based on the higher of fair value less costs of disposal and value in use

The recoverable amount of a CGU is determined based on a combination of the fair value of the business units determined by external, independent valuers, and value in use calculations. The recoverable amount is determined with the following key assumptions applied :

- (i) Cash flows are projected based on the financial budgets approved by the Directors.
- (ii) Discount rates used for cash flows discounting purposes are the management's estimate of weighted average cost of capital required in the respective segments. The discount rates applied for cash flow projections of plantations is at a post-tax rate of **8.94%** (2016 : 9.65%).
- (iii) Growth rate for the plantation segment is determined based on the management's estimate of commodity prices, palm yields, oil extractions rates and also cost of productions whilst growth rates of other segments are determined based on the industry trends and past performance of the segments.
- (iv) Profit margins are projected based on the industry trends and historical profit margin achieved.

### 5. BIOLOGICAL ASSETS - GROUP

	Note	2017 RM'000	2016 RM'000
<b>Cost</b>			
At 1 January		<b>889,958</b>	711,467
Additions during the year		<b>99,686</b>	125,712
Written off		<b>(3,837)</b>	(2,304)
Exchange differences		<b>(94,852)</b>	55,083
At 31 December		<b>890,955</b>	889,958
<b>Accumulated amortisation</b>			
At 1 January		<b>199,917</b>	157,726
Amortisation charge for the year	25	<b>23,508</b>	21,364
Written off		<b>(3,552)</b>	(2,034)
Impairment loss	25	<b>2,074</b>	12,147
Exchange differences		<b>(19,854)</b>	10,714
At 31 December		<b>202,093</b>	199,917
<b>Carrying amount</b>			
At 31 December		<b>688,862</b>	690,041

## NOTES TO THE FINANCIAL STATEMENTS

### 5. BIOLOGICAL ASSETS - GROUP (cont'd)

Additions to biological assets during the year include :

	2017 RM'000	2016 RM'000
- Interest expense	<u>3,450</u>	<u>5,830</u>

Interest is capitalised under biological assets at an average rate of **1.05% to 1.94%** (2016 : 1.06% to 2.08%) per annum.

#### Impairment loss

For the purpose of impairment testing, each subsidiary in the plantation segment is regarded as one cash-generating unit by the Group. The carrying amount of a cash generating unit amounting to RM97,497,000 was determined to be higher than its recoverable amount of RM95,423,000. Slow development on this plantation has led to the biological assets of RM2,074,000 being impaired during the financial year. The impairment of biological assets was charged to the income statement and is included in other operating expense of the Group.

The recoverable amount of the cash generating unit of RM95,423,000 was assessed using the fair value less cost of disposal method, based on a valuation carried out by an independent firm of valuers. The discount rate applied by the valuers in the valuation is at a post-tax rate of **8.94%** (2016 : 9.65%).

In the previous financial year, as a consequence of the impairment assessment of goodwill on consolidation for those cash generating units containing goodwill, an amount of RM12,147,000 of biological assets in relation to a cash generating unit was impaired and was included in other operating expense of the Group. The carrying amount of the cash generating unit of RM107,986,000 was determined to be higher than its recoverable amount of RM82,606,000.

The above estimates are particularly sensitive in the following areas :-

- An increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM20,022,000.
- A 1% decline in selling price would have increased the impairment loss by RM3,603,000.

Other details of impairment loss assessment are as set out in Note 4 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. LAND HELD FOR PROPERTY DEVELOPMENT - GROUP

	Note	2017 RM'000	2016 RM'000
At 1 January		36,131	36,065
Additions during the year		68	66
At 31 December		<u>36,199</u>	<u>36,131</u>
Represented by :			
At valuation (1978)			
Freehold land	6.1	467	467
At cost			
Freehold land		33,848	33,805
Other outgoings		1,884	1,859
At 31 December		<u>36,199</u>	<u>36,131</u>

#### 6.1 Land held for property development at the revalued amount

The freehold land is shown at Directors' valuation based on a valuation exercise carried out by Government Valuers on an 'open market value' basis in 1978.

The carrying amount of the revalued land had it been stated at cost is **RM194,000** (2016 : RM194,000).

### 7. PREPAID LAND LEASE PAYMENTS - GROUP

	Note	2017 RM'000	2016 RM'000
At 1 January		63,929	66,164
Additions		3,621	-
Amortisation for the year	25	(2,932)	(2,858)
Disposal		(833)	-
Exchange differences		(825)	623
At 31 December		<u>62,960</u>	<u>63,929</u>
Represented by :			
Long term leasehold land		30,108	27,741
Short term leasehold land		32,852	36,188
At 31 December		<u>62,960</u>	<u>63,929</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. INVESTMENT PROPERTIES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cost</b>					
At 1 January		<b>973,230</b>	889,027	<b>15,137</b>	15,137
Additions		<b>146,691</b>	66,554	-	-
Disposal/Write-off		<b>(525)</b>	(89)	-	-
Transfer from property, plant and equipment	<b>3</b>	-	8,624	-	-
Exchange differences		<b>(13,119)</b>	9,114	-	-
At 31 December		<b>1,106,277</b>	973,230	<b>15,137</b>	15,137
<b>Accumulated depreciation</b>					
At 1 January		<b>81,095</b>	70,849	<b>76</b>	73
Disposal/Write-off		<b>(199)</b>	(16)	-	-
Depreciation for the year	<b>25</b>	<b>6,436</b>	4,262	<b>4</b>	3
Impairment loss	<b>25</b>	<b>1,430</b>	-	-	-
Transfer from property, plant and equipment	<b>3</b>	-	4,754	-	-
Exchange differences		<b>(1,258)</b>	1,246	-	-
At 31 December		<b>87,504</b>	81,095	<b>80</b>	76
<b>Carrying amount</b>					
At 31 December		<b>1,018,773</b>	892,135	<b>15,057</b>	15,061
Included in the above are :					
Freehold land		<b>321,621</b>	292,883	<b>14,962</b>	14,962
Buildings		<b>210,558</b>	130,958	<b>95</b>	99
Long term leasehold land		<b>486,594</b>	468,294	-	-
		<b>1,018,773</b>	892,135	<b>15,057</b>	15,061

Investment properties comprise a number of commercial properties, vacant land and assembly plant that are leased to third parties or held for capital appreciation.

The title deed of long term leasehold land with a carrying amount of **RM421,319,000** (2016 : RM416,412,000) is still being processed by the relevant authority.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. INVESTMENT PROPERTIES (cont'd)

#### 8.1 Security

Carrying amounts of investment properties pledged to the bank as securities for the secured term loans of the Group (see Note 19) are as follows:

	2017 RM'000	2016 RM'000
Freehold land	104,338	78,685
Buildings	97,169	9,736
	<b>201,507</b>	<b>88,421</b>

#### 8.2 Fair value information

Fair value of investment properties are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2017</b>				
<b>Group</b>				
Freehold land	-	-	1,392,061	1,392,061
Long term leasehold land	-	-	898,614	898,614
Buildings	-	-	403,022	403,022
	<b>-</b>	<b>-</b>	<b>2,693,697</b>	<b>2,693,697</b>
<b>Company</b>				
Freehold land	-	-	303,800	303,800
Buildings	-	-	400	400
	<b>-</b>	<b>-</b>	<b>304,200</b>	<b>304,200</b>
<b>2016</b>				
<b>Group</b>				
Freehold land	-	-	1,208,829	1,208,829
Long term leasehold land	-	-	864,101	864,101
Buildings	-	-	366,602	366,602
	<b>-</b>	<b>-</b>	<b>2,439,532</b>	<b>2,439,532</b>
<b>Company</b>				
Freehold land	-	-	303,800	303,800
Buildings	-	-	400	400
	<b>-</b>	<b>-</b>	<b>304,200</b>	<b>304,200</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. INVESTMENT PROPERTIES (cont'd)

#### 8.2 Fair value information (cont'd)

##### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property. The valuation techniques used in the determination of fair values within Level 3 are as follows:

Description of Valuation Technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
i) Comparison method of valuation		
This approach entails comparing the property with similar properties that were sold. The characteristics, merits and demerits of these properties are noted and appropriate adjustments thereof are then made to arrive at the value of the investment properties.	Price per square meter <b>(RM14 – RM127,141)</b> (2016 : RM14 – RM129,686)	The estimated fair value would increase (decrease) if the price per square meter is higher (lower).
ii) Discounted cash flows:		
The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	Expected market rental growth is <b>1%</b> (2016 : 1%)  Risk adjusted discount rate is <b>10%</b> (2016 : 8%)	The estimated fair value would increase (decrease) if expected market rental growth were higher (lower); or risk-adjusted discount rate were lower (higher).

##### Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is based on the estimates of market value by Directors, taking into account some of the valuation in 2011 by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property. Investment properties of the Group for a carrying amount of **RM378,363,000** (2016 : RM354,375,000) and with the fair values of **RM1,362,047,000** (2016 : RM1,139,696,000) are determined solely based on Directors' estimates using either discounted cash flow or recent transaction prices around the vicinity.

##### Highest and best use

Investment properties comprise a number of commercial properties, vacant land and assembly plant. The Directors had determined the current use of these investment properties as their highest and best use.

## NOTES TO THE FINANCIAL STATEMENTS

### 9. INTERESTS IN SUBSIDIARIES - COMPANY

	Note	2017 RM'000	2016 RM'000
Unquoted shares, at cost		<b>764,136</b>	773,215
Amount due from subsidiaries	<b>9.1</b>	<b>187,371</b>	210,132
Less :			
Impairment losses		<b>(93,715)</b>	(106,415)
		<b>857,792</b>	876,932

Details of the subsidiaries are listed under Note 38.

#### 9.1 Amount due from subsidiaries

The amount due from subsidiaries is regarded as quasi investments by the Company and the Company does not expect repayment by the subsidiaries within the next twelve months. The amount due from subsidiaries is unsecured and subject to interest at the rates ranging from **1.50% to 3.38%** (2016 : 1.11% to 3.61%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

### 9. INTERESTS IN SUBSIDIARIES - COMPANY (cont'd)

#### Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows :

	2017					
	PT Maras Lestari		Melaka Straits		PT Surya Agro Persada	
	PT Gunung Maras Lestari	PT Gunung Binalestari	Selasih Permata Sdn. Bhd.	Medical Centre Sdn. Bhd.	Oriental Boon Siew (M) Sdn. Bhd.	Teck See Plastic Sdn. Bhd.
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest and voting interest	53.29%	53.29%	49.50%	49.00%	49.00%	54.55%
Carrying amount of NCI	309,987	221,824	72,366	69,761	163,786	95,448
Profit/(Loss) allocated to NCI	47,700	28,690	(1,107)	(1,148)	(57)	992
						(14,480)
<b>Summarized financial information before intra-group elimination</b>						
<b>As at 31 December</b>						
Non-current assets	57,546	29,874	67,698	248,278	320,962	94,196
Current assets	656,417	421,160	78,541	17,491	26,879	155,924
Non-current liabilities	(13,111)	(5,005)	-	(7,406)	-	-
Current liabilities	(102,047)	(14,515)	(45)	(119,062)	(13,584)	(14,259)
Net assets/(liabilities)	598,805	431,514	146,194	139,301	334,257	235,861
						(101,412)
<b>Year ended 31 December</b>						
Revenue	295,759	193,798	5,781	52,539	855	84,181
Profit/(Loss) for the year	89,510	53,842	(2,237)	(2,620)	(117)	2,480
Total comprehensive income/(expense) for the year	25,276	4,991	(2,237)	(2,620)	(117)	2,480
						(15,680)
Cash flows from operating activities	81,291	59,837	(3,032)	1,095	(15,015)	5,171
Cash flows from investing activities	25,267	17,261	5,781	(2,085)	(12,662)	9,360
Cash flows from financing activities	(8,902)	(2,255)	(6,000)	(7,081)	20,000	(19,999)
						44,229
Net increase/(decrease) in cash and cash equivalents	97,656	74,843	(3,251)	(8,071)	(7,677)	(5,468)
						8,083
Dividend paid to NCI	214	169	2,970	-	-	8,000
						-



## NOTES TO THE FINANCIAL STATEMENTS

### 9. INTERESTS IN SUBSIDIARIES - COMPANY (cont'd)

#### Non-controlling interests in subsidiaries (cont'd)

	2016					
	Melaka Straits			PT Surya Agro Persada		
	PT Gunung Maras Lestari	PT Gunung Binalestari	Selasih Permata Sdn. Bhd.	Medical Centre Sdn. Bhd.	Oriental Boon Siew (M) Sdn. Bhd.	Teck See Plastic Sdn. Bhd.
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest and voting interest	53.29%	53.29%	49.50%	49.00%	49.00%	40.00%
Carrying amount of NCI	298,504	220,594	76,443	70,909	154,043	166,325
Profit/(Loss) allocated to NCI	29,956	20,971	5,400	(11,487)	165	1,591
						(12,378)
<b>Summarized financial information before intra-group elimination</b>						
<b>As at 31 December</b>						
Non-current assets	67,503	38,363	67,698	240,940	308,147	97,239
Current assets	615,200	400,596	86,778	21,613	34,555	169,350
Non-current liabilities	(16,458)	(4,192)	-	(8,030)	-	-
Current liabilities	(104,984)	(5,564)	(45)	(112,602)	(28,329)	(13,208)
Net assets/(liabilities)	561,261	429,203	154,431	141,921	314,373	253,381
						(85,661)
<b>Year ended 31 December</b>						
Revenue	204,179	133,729	7,541	30,463	1,326	75,931
Profit/(Loss) for the year	56,214	39,355	10,910	(23,720)	336	3,977
Total comprehensive income/(expense) for the year	91,937	65,690	10,910	(23,720)	336	3,977
						(29,277)
Cash flows from operating activities	15,763	16,688	1,157	16,043	(15,621)	(23,705)
Cash flows from investing activities	17,816	16,280	7,543	(1,029)	(50,552)	12,480
Cash flows from financing activities	34,085	(3,110)	(12,050)	(6,079)	52,000	(10,001)
						33,080
Net increase/(decrease) in cash and cash equivalents	67,664	29,858	(3,350)	8,935	(14,173)	(21,226)
						4,132
Dividend paid to NCI	363	233	5,965	-	-	4,001
						-

## NOTES TO THE FINANCIAL STATEMENTS

### 10. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	82,264	82,383	34,006	34,006
Share of post-acquisition reserves	510,860	508,599	-	-
	<b>593,124</b>	<b>590,982</b>	<b>34,006</b>	<b>34,006</b>

#### Details of associates :

	Group's effective interest		Principal activities
	2017	2016	
	%	%	
Incorporated in Malaysia :			
Honda Autoparts Manufacturing (M) Sdn. Bhd.	49.0	49.0	Manufacture and sale of motor vehicle parts
Southern Perak Plantations Sdn. Berhad	39.5	39.5	Production and sale of oil palm fruits, palm oil and kernel
Hitachi Construction Machinery (Malaysia) Sdn. Bhd.	30.0	30.0	Sale of construction machinery, attachments and spare parts and renting of machinery
Boon Siew Honda Sdn. Bhd.	49.0	49.0	Manufacture, assembly and sale of motorcycles
Super Othello Sdn. Bhd.®	50.0	50.0	Investment holding
Chainferry Development Sdn. Berhad	33.4	33.4	Property development
Penang Wellesley Realty Sdn. Berhad	39.8	39.8	Property development
Penang Amusements Company Sdn. Berhad	25.0	25.0	Operation of a bowling alley
<i>Held through a subsidiary of the Company, Teck See Plastic Sdn Bhd</i>			
Hicom-Teck See Manufacturing Malaysia Sdn Bhd	29.4	29.4	Manufacture of thermo plastic and thermo setting products
Incorporated in Singapore :			
<i>Held through a subsidiary of the Company, Kah Motor Company Sdn Berhad</i>			
Singapore Safety Driving Centre Ltd	27.5	27.5	Operation of a driving school
B.S. Kah Pte. Ltd	40.0	40.0	Property management
Bukit Batok Driving Centre Ltd	21.9	21.9	Operation of a driving school

## NOTES TO THE FINANCIAL STATEMENTS

### 10. INVESTMENTS IN ASSOCIATES (cont'd)

#### Details of associates : (cont'd)

	Group's effective interest		Principal activities
	2017	2016	
	%	%	
Incorporated in Thailand :			
<i>Held through a subsidiary of the Company, Teck See Plastic Sdn Bhd</i>			
Kasai Teck See Co., Ltd.	<b>15.0</b>	15.0	Manufacture and sale of parts, mould and automotive equipment including automotive interior parts
Incorporated in the Republic of Indonesia :			
<i>Held through subsidiaries of the Company, Teck See Plastic Sdn Bhd and Oriental International (Mauritius) Pte Ltd</i>			
P.T. Kasai Teck See Indonesia	<b>38.9</b>	38.9	Manufacture and distribution of plastic articles and products in automotive and electrical sectors

The accounting year end of all the associates is 31 December except for Hicom Teck See Manufacturing Malaysia Sdn Bhd, Honda Autoparts Manufacturing (M) Sdn. Bhd., Hitachi Construction Machinery (Malaysia) Sdn. Bhd. and Boon Siew Honda Sdn. Bhd. which have accounting year ends of 31 March.

® Super Othello Sdn. Bhd. commenced its member's voluntary winding-up proceedings on 23 October 2017.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. INVESTMENTS IN ASSOCIATES (cont'd)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

Group	Hicom-Teck See Manufacturing Malaysia Sdn. Bhd. RM'000	Honda Autoparts Manufacturing (M) Sdn. Bhd. RM'000	Southern Perak Plantations Sdn. Berhad RM'000	Hitachi Construction Machinery (Malaysia) Sdn. Bhd. RM'000	Boon Siew Honda Sdn. Bhd. RM'000
2017					
<b>Summarised financial information</b>					
<b>As at 31 December</b>					
Non-current assets	135,945	20,034	125,426	25,961	160,176
Current assets	180,477	335,972	66,006	187,743	241,615
Non-current liabilities	(37,849)	-	(10,010)	-	-
Current liabilities	(137,262)	(10,895)	(27,578)	(58,579)	(267,953)
Net assets	141,311	345,111	153,844	155,125	133,838
<b>Year ended 31 December</b>					
Profit/(Loss) from continuing operations	21,673	5,508	16,734	4,087	(10,745)
Other comprehensive expense	-	-	(555)	-	-
Total comprehensive income/(expense)	21,673	5,508	16,179	4,087	(10,745)
<i>Included in the total comprehensive income is :</i>					
Revenue	322,620	130,791	49,661	348,680	671,822

## NOTES TO THE FINANCIAL STATEMENTS

### 10. INVESTMENTS IN ASSOCIATES (cont'd)

Group	Hicom-Teck See Manufacturing Malaysia Sdn. Bhd. RM'000	Honda Autoparts Manufacturing (M) Sdn. Bhd. RM'000	Southern Perak Plantations Sdn. Berhad RM'000	Hitachi Construction Machinery (Malaysia) Sdn. Bhd. RM'000	Boon Siew Honda Sdn. Bhd. RM'000	Other individually immaterial associates RM'000	Total RM'000
<b>2017</b>							
<b>Reconciliation of net assets to carrying amount</b>							
<b>As at 31 December</b>							
Group's share of net assets	41,545	169,104	60,768	46,538	65,581	205,209	588,745
Goodwill	-	-	3,255	-	-	1,124	4,379
Carrying amount in the statement of financial position	<b>41,545</b>	<b>169,104</b>	<b>64,023</b>	<b>46,538</b>	<b>65,581</b>	<b>206,333</b>	<b>593,124</b>
<b>Group's share of results</b>							
<b>Year ended 31 December</b>							
Group's share of profit/(loss) from continuing operations	6,372	2,699	6,610	1,226	(5,265)	14,394	26,036
Group's share of other comprehensive expense	-	-	(219)	-	-	-	(219)
Group's share of total comprehensive income/(expense)	<b>6,372</b>	<b>2,699</b>	<b>6,391</b>	<b>1,226</b>	<b>(5,265)</b>	<b>14,394</b>	<b>25,817</b>
<b>Other information</b>							
Dividend received by the Group	318	-	11,850	1,255	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 10. INVESTMENTS IN ASSOCIATES (cont'd)

Group	Hicom-Teck See Manufacturing Malaysia Sdn. Bhd. RM'000	Honda Autoparts Manufacturing (M) Sdn. Bhd. RM'000	Southern Perak Plantations Sdn. Berhad RM'000	Hitachi Construction Machinery (Malaysia) Sdn. Bhd. RM'000	Boon Siew Honda Sdn. Bhd. RM'000
<b>2016</b>					
<b>Summarised financial information</b>					
<b>As at 31 December</b>					
Non-current assets	140,158	28,193	102,901	17,561	178,698
Current assets	163,392	361,729	77,691	212,384	232,445
Non-current liabilities	(28,960)	-	(10,313)	-	-
Current liabilities	(144,394)	(50,321)	(3,169)	(73,608)	(266,558)
Net assets	130,196	339,601	167,110	156,337	144,585
<b>Year ended 31 December</b>					
(Loss)/Profit from continuing operations	(16,527)	50,976	14,175	5,110	(25,861)
Other comprehensive expense	-	-	(1,350)	-	-
Total comprehensive (expense)/income	(16,527)	50,976	12,825	5,110	(25,861)
<i>Included in the total comprehensive income is :</i>					
Revenue	298,896	569,820	43,044	290,823	518,277

## NOTES TO THE FINANCIAL STATEMENTS

### 10. INVESTMENTS IN ASSOCIATES (cont'd)

	Group					Total RM'000
	Hicom-Teck See Manufacturing Malaysia Sdn. Bhd. RM'000	Honda Autoparts Manufacturing (M) Sdn. Bhd. RM'000	Southern Perak Plantations Sdn. Berhad RM'000	Hitachi Construction Machinery (Malaysia) Sdn. Bhd. RM'000	Boon Siew Honda Sdn. Bhd. RM'000	Other individually immaterial associates RM'000
<b>2016</b>						
<b>Reconciliation of net assets to carrying amount</b>						
<b>As at 31 December</b>						
Group's share of net assets	38,278	166,404	66,009	46,901	70,847	586,603
Goodwill	-	-	3,255	-	-	4,379
Carrying amount in the statement of financial position	38,278	166,404	69,264	46,901	70,847	590,982
<b>Group's share of results</b>						
<b>Year ended 31 December</b>						
Group's share of (loss)/profit from continuing operations	(4,859)	24,978	5,599	1,533	(12,672)	33,308
Group's share of other comprehensive expense	-	-	(533)	-	-	(533)
Group's share of total comprehensive (expense)/income	(4,859)	24,978	5,066	1,533	(12,672)	32,775
<b>Other information</b>						
Dividend received by the Group	529	-	1,975	392	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 11. OTHER INVESTMENTS

<b>Group</b>							
<b>2017</b>							
<b>Non-current</b> <i>Available-for-sale financial assets</i> Less : Impairment loss	Unquoted shares RM'000	Quoted shares in Malaysia RM'000	Quoted shares outside Malaysia RM'000	Quoted bonds outside Malaysia RM'000	Quoted unit trusts and REITS RM'000	Others RM'000	Total RM'000
	27,414 (235)	2,524 -	249,311 (29,977)	133,610 -	9,434 -	1,175 (22)	423,468 (30,234)
		27,179	2,524	219,334	133,610	9,434	1,153
							393,234
<b>Current</b> <i>Available-for-sale financial assets</i>							
	-	-	-	23,581	-	-	23,581
		27,179	2,524	219,334	157,191	1,153	416,815
Representing items : At cost At fair value	27,179 -	- 2,524	- 219,334	- 157,191	- 9,434	1,153 -	28,332 388,483
	27,179	2,524	219,334	157,191	9,434	1,153	416,815
<b>Company</b>							
<b>2017</b>							
<b>Non-current</b> <i>Available-for-sale financial assets</i>							
	32,341	-	-	-	-	-	32,341
Representing items : At cost	32,341	-	-	-	-	-	32,341



## NOTES TO THE FINANCIAL STATEMENTS

## 11.

Group	Unquoted shares RM'000	Quoted shares in Malaysia RM'000	Quoted shares outside Malaysia RM'000	Quoted bonds outside Malaysia RM'000	Quoted unit trusts and REITS RM'000	Structured deposits RM'000	Others RM'000	Total RM'000
<b>2016</b>								
<b>Non-current</b>								
Available-for-sale financial assets	27,521 (313)	1,660	219,629 (31,808)	118,470	8,480	-	1,189 (22)	376,949 (32,143)
Less : Impairment loss		-		-	-	-		
	27,208	1,660	187,821	118,470	8,480	-	1,167	344,806
<b>Current</b>								
Available-for-sale financial assets	-	-	-	6,180	-	-	-	6,180
Financial assets at fair value through profit or loss	-	-	-	-	-	2,170	-	2,170
	-	-	-	6,180	-	2,170	-	8,350
	27,208	1,660	187,821	124,650	8,480	2,170	1,167	353,156
Representing items :								
At cost	27,208	-	-	-	-	-	1,167	28,375
At fair value	-	1,660	187,821	124,650	8,480	2,170	-	324,781
	27,208	1,660	187,821	124,650	8,480	2,170	1,167	353,156
<b>Company</b>								
<b>2016</b>								
<b>Non-current</b>								
Available-for-sale financial assets	32,341	-	-	-	-	-	-	32,341
Representing items :								
At cost	32,341	-	-	-	-	-	-	32,341

## NOTES TO THE FINANCIAL STATEMENTS

### 12. DEFERRED TAX ASSETS AND (LIABILITIES) - GROUP

#### Recognised deferred tax assets and (liabilities)

Deferred tax assets and (liabilities) are attributable to the following :

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment						
- capital allowances	(8,285)	(3,864)	(15,148)	(16,946)	(23,433)	(20,810)
- revaluation	-	-	(277)	(279)	(277)	(279)
Prepaid land lease payments						
- fair value adjustment	-	-	(5,891)	(6,011)	(5,891)	(6,011)
Biological assets - capital allowances	-	-	(11,160)	(9,117)	(11,160)	(9,117)
Provisions	22,375	17,963	70	588	22,445	18,551
Capital allowances carry-forwards	17,821	3,547	-	-	17,821	3,547
Tax losses carry-forwards	14,569	13,951	485	147	15,054	14,098
Unutilised reinvestment allowances	2,644	3,002	-	-	2,644	3,002
Others	3,987	4,585	-	1	3,987	4,586
	<b>53,111</b>	<b>39,184</b>	<b>(31,921)</b>	<b>(31,617)</b>	<b>21,190</b>	<b>7,567</b>

Deferred tax have not been recognised in respect of the following items (stated at gross) :

	2017	2016
	RM'000	RM'000
		Restated
Deductible temporary differences	1,177	705
Capital allowances carry-forwards	6,611	36,205
Tax losses carry-forwards	310,327	249,042
Unutilised reinvestment allowances	2,024	2,024
Provisions	7,004	5,202
Others	755	397
	<b>327,898</b>	<b>293,575</b>

Included in the above tax losses carry-forwards is an amount of **RM191,584,000** (2016: RM107,252,000) which can only be utilised against the taxable income for a period of 5 years subsequent to the year when the tax loss was incurred under the Indonesian tax legislation. The balance of **RM118,743,000** (2016 : RM141,790,000) does not expire under the respective countries' tax legislations.

The capital allowances carry-forwards and unutilised reinvestment allowances do not expire under the respective countries' tax legislations. Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The comparative figures for deferred tax assets not recognised have been restated to reflect the revised deductible temporary difference, capital allowances carry-forwards, tax losses carry-forwards, unutilised reinvestment allowances, provisions and others available to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 12. DEFERRED TAX ASSETS AND (LIABILITIES) - GROUP (cont'd)

The components and movements of deferred tax assets/(liabilities) are as follows :

	At 1 January 2016 RM'000	Exchange differences RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31 December 2016/ 1 January 2017 RM'000	Exchange differences RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31 December 2017 RM'000
Property, plant and equipment									
- capital allowances	(7,363)	529	(13,976)	-	(20,810)	933	(3,556)	-	(23,433)
- revaluation	(281)	-	2	-	(279)	-	2	-	(277)
Prepaid land lease payments									
- fair value adjustment	(6,132)	-	121	-	(6,011)	-	120	-	(5,891)
Biological assets									
- capital allowances	(5,686)	-	(3,431)	-	(9,117)	-	(2,043)	-	(11,160)
Unutilised reinvestment allowances	3,344	-	(342)	-	3,002	-	(358)	-	2,644
Provisions	10,399	426	7,745	(19)	18,551	(780)	4,156	518	22,445
Tax losses carry- forwards	13,030	921	147	-	14,098	(1,466)	2,422	-	15,054
Capital allowances carried-forwards	4,442	-	(895)	-	3,547	-	14,274	-	17,821
Other investments	1,110	23	(1,133)	-	-	-	-	-	-
Others	303	-	4,283	-	4,586	(100)	(499)	-	3,987
	13,166	1,899	(7,479)	(19)	7,567	(1,413)	14,518	518	21,190

Note 27

Note 27

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY DEVELOPMENT COSTS - GROUP

	2017 RM'000	2016 RM'000
At 1 January	3,113	2,948
Development costs incurred during the year	115	165
At 31 December	<b>3,228</b>	3,113

### 14. INVENTORIES - GROUP

	2017 RM'000	2016 RM'000
Finished products		
Manufactured goods	62,603	87,662
Trading inventories	133,948	280,952
	<b>196,551</b>	368,614
Work-in-progress	5,960	7,035
Raw materials	46,111	54,851
Consumable stores and spares	46,521	51,313
Completed development properties	6,266	6,236
Hotel stocks	2,838	2,723
	<b>304,247</b>	490,772

## NOTES TO THE FINANCIAL STATEMENTS

### 15. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
<b>Trade</b>					
Trade receivables		<b>283,123</b>	372,915	-	-
Amount due from associates		<b>5,272</b>	5,893	-	-
		<b>288,395</b>	378,808	-	-
<b>Non-trade</b>					
Amount due from subsidiaries	15.1	-	-	<b>4,085</b>	45,797
Other receivables	15.2	<b>181,192</b>	183,381	<b>500</b>	-
Deposits		<b>10,881</b>	6,655	<b>4,410</b>	21
Prepayments		<b>27,624</b>	18,052	<b>147</b>	115
		<b>219,697</b>	208,088	<b>9,142</b>	45,933
		<b>508,092</b>	586,896	<b>9,142</b>	45,933

#### 15.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand except for an amount of **RM4,000,000** (2016 : RM45,760,000) which is subject to interest at the rate of **2.00%** (2016 : 2.00% to 4.07%) per annum.

#### 15.2 Other receivables

Included in other receivables of the Group are as follows :

- an amount of **RM6,275,000** (2016: RM14,667,000) representing advance payments made for the acquisition of plantation assets, machineries and land.
- an amount of **RM33,807,000** (2016 : RM32,246,000) representing deposits for Certificates of Entitlement for purchase of vehicles in a foreign jurisdiction.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. SHORT TERM INVESTMENTS - GROUP

	Note	2017 RM'000	2016 RM'000
Fixed deposits :			
With licensed banks	16.1	810,125	619,856
With licensed finance companies		70,386	74,055
		<b>880,511</b>	693,911
Unit trust money market funds		25,584	22,625
		<b>906,095</b>	716,536

#### 16.1 Fixed deposits placed with licensed banks

Included in the fixed deposits placed with licensed banks of the Group is an amount of **RM151,836,000** (2016 : RM118,769,000) which is pledged for banking/financing facilities granted to certain subsidiaries (see Note 19).

### 17. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed deposits with licensed banks	17.1	1,776,139	1,844,741	118,528	149,988
Cash and bank balances	17.2	1,185,144	969,280	27,203	2,673
Unit trust money market funds		79,317	7,731	76,961	5,108
		<b>3,040,600</b>	2,821,752	<b>222,692</b>	157,769

#### 17.1 Fixed deposits with licensed banks

Included in fixed deposits with licensed banks of the Group is an amount of **RM665,013,000** (2016 : RM627,495,000) which is pledged for banking/financing facilities granted to certain subsidiaries (see Note 19).

#### 17.2 Cash and bank balances

Included in cash and bank balances of the Group is an amount of **RM643,000** (2016 : RM633,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. CAPITAL AND RESERVES

#### 18.1 Share capital - Group/Company

	2017		2016	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary stocks, issued and fully paid	<b>620,394</b>	<b>620,394</b>	620,394	620,394
At 1 January				
Transfer from capital redemption reserve in accordance with Section 618(2) of the Companies Act 2016	<b>68</b>	-	-	-
At 31 December	<b>620,462</b>	<b>620,394</b>	620,394	620,394

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the capital redemption reserve of RM68,000 has become part of the Company's share capital. The Company has twenty-four months until 31 January 2019 to utilise the credit.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. CAPITAL AND RESERVES (cont'd)

#### 18.2 Foreign currency translation reserves

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### 18.3 Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of property, plant and equipment.

#### 18.4 Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

#### 18.5 Capital reserve

The distributable capital reserve comprises surplus on sale of land and building and long term investments.

#### 18.6 Treasury stocks

In year 2000, the Company purchased 100,000 of its issued stocks from the open market. The average price paid for the stocks purchased was RM7.84 per stock. The repurchased stocks are held as treasury stocks and carried at cost.

On 2 March 2001, 68,192 of the treasury stocks were cancelled and an amount equivalent to their nominal value was transferred to capital redemption reserve. Treasury stocks have no rights to voting, dividends and participation in other distribution.

### 19. BORROWINGS

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Non-current					
Secured :					
Term loans		52,606	64,592	-	-
Lease obligations	19.1	9,556	9,998	-	-
		62,162	74,590	-	-



## NOTES TO THE FINANCIAL STATEMENTS

### 19. BORROWINGS (cont'd)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>					
Secured :					
Revolving credit		865,799	651,200	-	-
Term loans		3,762	1,703	-	-
Unsecured :					
Bank overdrafts		-	1,320	-	-
Revolving credit		613,087	674,037	97,076	134,092
Bankers' acceptances		31,319	34,610	-	-
		<b>644,406</b>	<b>709,967</b>	<b>97,076</b>	<b>134,092</b>
Lease obligations	19.1	5,710	4,956	-	-
		<b>1,519,677</b>	<b>1,367,826</b>	<b>97,076</b>	<b>134,092</b>
		<b>1,581,839</b>	<b>1,442,416</b>	<b>97,076</b>	<b>134,092</b>

#### 19.1 Lease obligations

Lease obligations are payable as follows :

	2017			2016		
	Future minimum lease payment RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payment RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than 1 year	6,328	618	5,710	5,581	625	4,956
Between 1 and 5 years	10,059	503	9,556	10,612	614	9,998
	<b>16,387</b>	<b>1,121</b>	<b>15,266</b>	<b>16,193</b>	<b>1,239</b>	<b>14,954</b>

#### 19.2 Security

The secured bank borrowings are secured by way of the Group's fixed deposits (see Note 16 and Note 17), freehold land and building (see Note 3) with a carrying amount of **RM134,100,000** (2016 : RM137,700,000), and investment properties (see Note 8) of **RM201,500,000** (2016 : RM88,400,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 19. BORROWINGS (cont'd)

#### 19.3 Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1 January 2017 RM'000	Unrealised gain on foreign exchange RM'000	Net changes from financing cash flows RM'000	New lease financing RM'000	Foreign exchange movement RM'000	At 31 December 2017 RM'000
Term loans	66,295	3,731	(8,067)	-	(5,591)	56,368
Lease obligations	14,954	-	(5,375)	5,687	-	15,266
Revolving credit	1,325,237	46,617	257,844	-	(150,812)	1,478,886
Bankers' acceptance	34,610	-	(3,291)	-	-	31,319
	<b>1,441,096</b>	<b>50,348</b>	<b>241,111</b>	<b>5,687</b>	<b>(156,403)</b>	<b>1,581,839</b>
Company						
Revolving credit	134,092	(5,343)	(31,673)	-	-	97,076

## NOTES TO THE FINANCIAL STATEMENTS

### 20. PROVISIONS - GROUP

	Free servicing RM'000	Extended warranties RM'000	Total RM'000
<b>Non-current</b>			
At 1 January 2016	21,036	9,643	30,679
Provision made	42,908	10,756	53,664
Provision used	(9,178)	(224)	(9,402)
Provision reversed	(1,758)	(377)	(2,135)
Exchange differences	423	193	616
At 31 December 2016/1 January 2017	<b>53,431</b>	<b>19,991</b>	<b>73,422</b>
Provision made	<b>33,805</b>	<b>10,581</b>	<b>44,386</b>
Provision used	<b>(18,350)</b>	<b>(231)</b>	<b>(18,581)</b>
Provision reversed	<b>(8,815)</b>	<b>(406)</b>	<b>(9,221)</b>
Exchange differences	<b>(1,229)</b>	<b>(460)</b>	<b>(1,689)</b>
At 31 December 2017	<b>58,842</b>	<b>29,475</b>	<b>88,317</b>

#### **Free servicing**

The provision for free servicing relates mainly to motor vehicles sold. The provision is based on estimates from past experience and future expectations, and an assessment of the probability of an outflow for the warranty obligations as a whole. The Group expects to incur the liability over the next 3 years (2016 : 3 years).

#### **Extended warranties**

The provision for extended warranties relates mainly to motor vehicles sold. The provision is based on estimates from past experience and future expectations, and an assessment of the probability of an outflow for the warranty obligations as a whole. The Group expects to incur the liability over the next 2 years (2016 : 2 years).

### 21. DEFERRED INCOME - GROUP

	2017 RM'000	2016 RM'000
Service package income	<b>4,727</b>	4,890

## NOTES TO THE FINANCIAL STATEMENTS

### 22. RETIREMENT BENEFITS - GROUP

The Group provides defined post-employment benefits obligation for its qualifying employees in plantation companies in accordance with Indonesian Labor Law No.13/2003.

#### Movements in the present value of the defined benefit obligations

	Note	2017 RM'000	2016 RM'000
Balance at 1 January		18,357	13,616
<b>Included in profit or loss</b>			
Current service cost		2,948	2,490
Interest cost		1,422	1,312
Past service cost		(486)	-
Others		-	65
	25	3,884	3,867
<b>Included in other comprehensive income</b>			
Remeasurement loss			
- Actuarial loss arising from change in financial assumptions		2,070	(106)
Benefits paid		(563)	(110)
Exchange differences		(2,069)	1,090
Balance at 31 December		21,679	18,357

#### Actuarial assumptions

The cost of providing post-employment benefits is calculated by an independent actuary. The actuarial valuation was carried out using the following key assumptions :

	2017	2016
Discount rate	7.50% per annum	8.50% - 8.75% per annum
Future salary incremental rate	10.00% per annum	10.00% per annum

## NOTES TO THE FINANCIAL STATEMENTS

### 22. RETIREMENT BENEFITS - GROUP (cont'd)

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below :

	2017 Increase RM'000	2017 Decrease RM'000	2016 Increase RM'000	2016 Decrease RM'000
Discount rate (1% movement)	(2,234)	2,605	(1,879)	2,186
Future salary incremental rate (1% movement)	2,632	(2,298)	2,234	(1,952)

### 23. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Trade</b>					
Trade payables		151,098	175,020	-	-
<b>Non-trade</b>					
Amount due to associates	23.1	2,424	4,650	-	-
Other payables	23.2	138,120	146,748	194	126
Advances from customers		100,909	95,933	-	-
Accrued expenses		48,762	47,260	1,279	1,145
		290,215	294,591	1,473	1,271
		441,313	469,611	1,473	1,271

#### 23.1 Amount due to associates

The amount due to associates is unsecured, interest-free and repayable on demand.

#### 23.2 Other payables

Included in other payables of the Group is an amount of **RM13,525,000** (2016 : RM28,318,000) in respect of amount payable for land reclamation work of 275 acres (Phase 2A,3A and 3B) in Malacca.

## NOTES TO THE FINANCIAL STATEMENTS

### 24. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue				
- Sale of goods and services	<b>6,105,416</b>	5,291,740	<b>378</b>	261
- Interest income	<b>92,051</b>	83,390	<b>12,098</b>	13,114
- Dividend income	<b>59,789</b>	85,592	<b>162,906</b>	173,768
- Rental income	<b>71,925</b>	63,536	<b>1,152</b>	1,150
	<b>6,329,181</b>	5,524,258	<b>176,534</b>	188,293

### 25. OPERATING PROFIT

Operating profit is arrived at :

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
After charging :					
Auditors' remuneration					
Audit fees					
- KPMG Malaysia					
- current year		<b>706</b>	750	<b>160</b>	180
- prior year		<b>(2)</b>	83	-	20
- Overseas affiliates of KPMG Malaysia		<b>707</b>	682	-	-
- Other auditors		<b>1,252</b>	1,411	-	-
Non-audit fees					
- KPMG Malaysia		<b>26</b>	20	<b>26</b>	20
- Local affiliates of KPMG Malaysia		<b>395</b>	263	<b>133</b>	108
- Overseas affiliates of KPMG Malaysia		<b>172</b>	109	-	-
- Other auditors		<b>266</b>	110	<b>184</b>	-
Amortisation of :					
- intangible assets	<b>4</b>	<b>736</b>	744	-	-
- biological assets	<b>5</b>	<b>23,508</b>	21,364	-	-
- prepaid land lease payments	<b>7</b>	<b>2,932</b>	2,858	-	-
Depreciation :					
- property, plant and equipment	<b>3</b>	<b>107,016</b>	104,072	<b>274</b>	255
- investment properties	<b>8</b>	<b>6,436</b>	4,262	<b>4</b>	3
Direct operating expenses of investment properties :					
- non-income generating		<b>2,355</b>	1,053	<b>275</b>	257
- income generating		<b>18,404</b>	18,113	<b>39</b>	33

## NOTES TO THE FINANCIAL STATEMENTS

### 25. OPERATING PROFIT (cont'd)

Operating profit is arrived at : (cont'd)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remunerations					
Directors of the Company :					
- fees					
- current year		1,338	1,361	900	900
- prior year		15	4	-	-
- remuneration					
- current year		19,411	13,130	540	505
- prior year		807	2,246	-	-
- benefits-in-kind		24	21	-	-
Past Directors of the Company :					
- fees		-	22	-	22
- others		-	2	-	2
Interest expense on bank borrowings		20,706	16,362	1,148	1,397
Assets written off					
- property, plant and equipment		1,182	2,550	-	-
- biological assets		285	270	-	-
- investment properties		2	73	-	-
Write down of inventories (net)		-	15,075	-	-
Bad debts written off (net)		811	-	-	-
Rental expense:					
- land and buildings		15,171	14,508	32	32
- equipment		654	754	4	4
Loss on foreign exchange (net)					
- Unrealised		60,981	10,506	-	5,357
- Realised		5,921	-	-	-
Impairment loss on :					
- property, plant and equipment	3	-	128	-	-
- intangible assets	4	1,167	12,701	-	-
- biological assets	5	2,074	12,147	-	-
- investment properties	8	1,430	-	-	-
- other investments		2,427	1,077	-	-
- investment in subsidiaries		-	-	2,300	-
- receivables		505	313	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 25. OPERATING PROFIT (cont'd)

Operating profit is arrived at : (cont'd)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loss on disposal of :					
- property, plant and equipment		-	15,837	-	-
- other investments		-	683	-	-
- subsidiary		-	-	<b>61</b>	-
Loss on liquidation of a subsidiary		-	3	-	-
Provision for retirement benefits	<b>22</b>	<b>3,884</b>	3,867	-	-
Staff costs		<b>458,551</b>	411,066	<b>2,521</b>	2,364
and crediting :					
Dividends (gross) received from :					
- Unquoted investments		<b>52,802</b>	79,484	<b>54,045</b>	78,313
- Unquoted subsidiaries		-	-	<b>105,442</b>	93,641
- Unquoted associates		-	-	<b>1,345</b>	482
- Unit trust		<b>2,170</b>	1,462	<b>2,074</b>	1,332
- Investments quoted outside Malaysia		<b>4,817</b>	4,646	-	-
Gain on disposal of :					
- property, plant and equipment		<b>3,901</b>	-	<b>11</b>	-
- other investments		<b>4,034</b>	-	-	-
- a subsidiary		<b>22,289</b>	-	-	-
Gain on liquidation of a subsidiary		<b>78</b>	-	-	-
Reversal of impairment loss on receivables		<b>11</b>	22	-	-
Reversal of write down of inventories (net)		<b>12,948</b>	-	-	-
Interest received from:					
- subsidiaries		-	-	<b>7,582</b>	7,913
- others		<b>92,051</b>	83,390	<b>4,516</b>	5,201
Rental income from property		<b>71,925</b>	63,536	<b>1,152</b>	1,150
Gain on foreign exchange (net)					
- realised		-	2,090	<b>3,095</b>	1,960
- unrealised		-	-	<b>4,606</b>	-
Bad debts recovered (net)		-	511	-	-

Included in staff costs of the Group and of the Company is an amount of **RM26,315,000** (2016 : RM24,226,000) and **RM347,000** (2016 : RM324,000) respectively representing contributions made to the Employees' Provident Fund.



## NOTES TO THE FINANCIAL STATEMENTS

### 26. OTHER COMPREHENSIVE (EXPENSE)/INCOME - GROUP

	2017		2016	
	Before tax RM'000	Tax (expense)/ benefit RM'000	Before tax RM'000	Tax (expense)/ benefit RM'000
	Net of tax RM'000		Net of tax RM'000	
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liability	(2,070)	518	(1,552)	106
				(19)
				87
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations				
- (Loss)/Gain arising during the year	(163,749)	-	(163,749)	79,492
Fair value of available-for-sale financial assets				
- Gains arising during the year	42,789	-	42,789	11,533
- Reclassification adjustment for gains disposal included in profit or loss	2,505	-	2,505	1,194
	45,294	-	45,294	12,727
	(118,455)	-	(118,455)	92,219
Share of losses of equity accounted associates				
			(219)	(533)
			(118,674)	91,686

## NOTES TO THE FINANCIAL STATEMENTS

### 27. INCOME TAX EXPENSE

#### Recognised in profit or loss

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income tax expense on continuing operations	<b>96,637</b>	88,919	<b>2,732</b>	2,927
Share of tax of equity accounted associates	<b>6,398</b>	13,996	-	-
Total income tax expense	<b>103,035</b>	102,915	<b>2,732</b>	2,927

Major components of tax expense include :

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Current tax expense</b>				
Malaysian - current year	<b>17,072</b>	17,749	<b>2,711</b>	2,925
- prior years	<b>486</b>	(2,794)	<b>21</b>	2
	<b>17,558</b>	14,955	<b>2,732</b>	2,927
Overseas - current year	<b>93,118</b>	64,988	-	-
- prior years	<b>479</b>	1,497	-	-
	<b>93,597</b>	66,485	-	-
Total current tax	<b>111,155</b>	81,440	<b>2,732</b>	2,927
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	<b>(16,266)</b>	(5,477)	-	-
Prior year	<b>1,748</b>	12,956	-	-
Total deferred tax	<b>(14,518)</b>	7,479	-	-
Share of tax of equity accounted associates	<b>6,398</b>	13,996	-	-
Total tax expense	<b>103,035</b>	102,915	<b>2,732</b>	2,927

## NOTES TO THE FINANCIAL STATEMENTS

### 27. INCOME TAX EXPENSE (cont'd)

#### Reconciliation of tax expense

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit for the year	<b>422,242</b>	298,213	<b>169,859</b>	174,523
Total tax expense	<b>103,035</b>	102,915	<b>2,732</b>	2,927
Profit excluding tax	<b>525,277</b>	401,128	<b>172,591</b>	177,450
Income tax at Malaysian tax rate of 24% (2016 : 24%)	<b>126,066</b>	96,271	<b>41,422</b>	42,588
Effect of tax rates in foreign jurisdictions **	<b>(22,006)</b>	(9,974)	-	-
Non-deductible expenses	<b>15,609</b>	23,642	<b>2,355</b>	1,288
Income not subject to tax	<b>(29,900)</b>	(41,260)	<b>(41,065)</b>	(40,950)
Deferred tax assets not recognised	<b>8,237</b>	24,580	-	-
Others	<b>2,316</b>	(2,003)	<b>(1)</b>	(1)
Under provision in prior years	<b>2,713</b>	11,659	<b>21</b>	2
	<b>103,035</b>	102,915	<b>2,732</b>	2,927

\*\* The tax rates in several foreign jurisdictions are different from that of the Malaysian tax rate as the subsidiaries operate in foreign tax jurisdictions with lower or higher tax rates as the case may be.

### 28. BASIC EARNINGS PER ORDINARY STOCK

The basic earnings per ordinary stock have been calculated based on the profit attributable to the owners of the Company and the number of stocks in issue of **620,361,830** (2016 : 620,361,830), after deducting the treasury stocks of **31,808** (2016: 31,808).

## NOTES TO THE FINANCIAL STATEMENTS

### 29. DIVIDENDS

Dividends recognised by the Group and the Company are :

	Sen per share	Total amount RM'000	Date of payment
<b>2017</b>			
In respect of financial year 2017:			
- Single tier first interim dividend	6	37,221	9 November 2017
In respect of financial year 2016 :			
- Single tier second interim dividend	6	37,222	7 April 2017
- Single tier final dividend	8	49,629	14 July 2017
		<u>124,072</u>	

### 2016

In respect of financial year 2016:

- Single tier first interim dividend	6	37,221	11 November 2016
--------------------------------------	---	--------	------------------

In respect of financial year 2015 :

- Single tier interim dividend	6	37,222	15 April 2016
- Single tier final dividend and single tier special dividend	8	49,629	1 July 2016
		<u>124,072</u>	

A single tier second interim dividend of 6 sen per ordinary stock totalling RM37,221,710 in respect of the year ended 31 December 2017 was declared by the Directors on 27 February 2018 and paid on 6 April 2018.

A final single tier dividend of 8 sen per ordinary stock and special final single tier dividend of 20 sen per ordinary stock totalling RM49,628,946 and RM124,072,366 respectively have been recommended by the Directors in respect of the year ended 31 December 2017, subject to approval of the stockholders at the forthcoming Annual General Meeting.

The financial statements do not reflect these single tier second interim, final and special dividends in relation to the financial year ended 31 December 2017, which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2018.

## NOTES TO THE FINANCIAL STATEMENTS

### 30. COMMITMENTS

	Group	
	2017 RM'000	2016 RM'000
(i) Non-cancellable operating lease commitments		
Within 1 year	2,127	2,637
Between 1 to 5 years	6,718	5,940
Above 5 years	-	48
	<b>8,845</b>	<b>8,625</b>
(ii) Operating lease income commitments		
Receivables :		
Within 1 year	5,562	5,321
Between 1 to 5 years	4,168	5,227
	<b>9,730</b>	<b>10,548</b>
	Group	
	2017 RM'000	2016 RM'000
	Company	
	2017 RM'000	2016 RM'000
(iii) Capital expenditure		
- approved but not contracted for	341,652	319,259
- contracted but not provided for	96,850	135,836
	<b>438,502</b>	<b>455,095</b>
	<b>265</b>	<b>55</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 31. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services, and has the following main reportable segments :

<i>Automotive and related products</i>	Retailer and distributor of motor vehicles; manufacture of engines, seats and other related parts as well as traders of spare parts, accessories and related component parts
<i>Plastic products</i>	Manufacture, assembly and distribution of plastic component parts; manufacture of plastic technical and industrial goods and equipment
<i>Hotels and resorts</i>	Hotelier
<i>Investment holding and financial services</i>	Investment in shares and bonds, letting of properties and leasing companies
<i>Plantation</i>	Cultivation of oil palm
<i>Investment properties and trading of building material products</i>	<ul style="list-style-type: none"> <li>a) Property development;</li> <li>b) manufacture of wire netting, wire mesh, barbed wire, weld mesh, nails and building materials;</li> <li>c) distributor of cement and manufacturer and dealer of concrete products; and</li> </ul>
<i>Healthcare</i>	Medical centre and nursing college

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

## NOTES TO THE FINANCIAL STATEMENTS

### 31. OPERATING SEGMENTS (cont'd)

	Automotive and related products		Plastic products		Hotels and resorts		Investment holding and financial services		Investment properties and building of material products		Total of all segments		Reconciliation/ Elimination		Notes		Total per consolidated financial statements	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2017</b>																		
Revenue from external customers	4,667,843	198,035	302,659	716,574	59,233	330,545	54,292	6,329,181	-	-	6,329,181						6,329,181	
Inter-segment revenue	1,386	183	-	-	11,612	376	-	13,557	(13,557)	A	-						-	
<b>Total revenue</b>	<b>4,669,229</b>	<b>198,218</b>	<b>302,659</b>	<b>716,574</b>	<b>70,845</b>	<b>330,921</b>	<b>54,292</b>	<b>6,342,738</b>	<b>(13,557)</b>		<b>6,329,181</b>						<b>6,329,181</b>	
<b>Results</b>																		
Interest income	21,730	7,545	2,049	51,980	5,790	2,846	111	92,051	-	-	92,051						92,051	
Dividend income	3,852	-	-	2,988	52,764	185	-	59,789	-	-	59,789						59,789	
Depreciation and amortisation	29,495	13,667	34,265	40,707	801	6,613	15,080	140,628	-	-	140,628						140,628	
Share of results of associates	7,927	12,320	-	1,804	1,713	2,272	-	26,036	-	-	26,036						26,036	
Other non-cash expenses	16,504	1,347	667	50,841	14,869	898	84	85,210	-	B	85,210						85,210	
Segment profit/ (loss)	280,511	(582)	59,913	113,613	58,366	17,632	(15,904)	513,549	5,330	C	518,879						518,879	
<b>Assets</b>																		
Investment in associates	109,131	112,934	-	23,069	322,104	25,886	-	593,124	-	-	593,124						593,124	
Additions to non-current assets	20,234	4,635	71,557	120,004	418	150,968	5,527	373,343	-	D	373,343						373,343	
Segment assets	3,221,333	379,886	1,096,786	2,153,433	428,354	1,040,743	224,746	8,545,281	678,326	E	9,223,607						9,223,607	

## NOTES TO THE FINANCIAL STATEMENTS

### 31. OPERATING SEGMENTS (cont'd)

	Automotive and related products RM'000	Plastic products RM'000	Hotels and resorts RM'000	Investment holding and financial services RM'000	Investment properties and trading of building material products RM'000	Healthcare segments RM'000	Total of all segments RM'000	Reconciliation/ Elimination RM'000	Notes	Total per consolidated financial statements RM'000
<b>2016</b>										
Revenue from external customers	4,031,999	218,860	282,235	86,084	375,178	31,757	5,524,258	-		5,524,258
Inter-segment revenue	678	98	22	21,748	303	-	22,849	(22,849)	A	-
<b>Total revenue</b>	<b>4,032,677</b>	<b>218,958</b>	<b>282,257</b>	<b>107,832</b>	<b>375,481</b>	<b>31,757</b>	<b>5,547,107</b>	<b>(22,849)</b>		<b>5,524,258</b>
<b>Results</b>										
Interest income	20,884	8,604	1,571	6,090	3,360	108	83,390	-		83,390
Dividend income	4,085	-	-	79,521	40	-	85,592	-		85,592
Depreciation and amortisation	24,967	18,283	31,060	756	6,003	14,025	133,300	-		133,300
Share of results of associates	7,786	6,334	-	15,395	1,924	-	33,308	-		33,308
Other non-cash expenses	21,043	-	18,485	8,591	867	18	79,099	-	B	79,099
Segment profit/(loss)	186,355	4,489	31,844	72,863	16,800	(20,555)	370,186	16,946	C	387,132
<b>Assets</b>										
Investment in associates	105,579	105,557	-	327,477	27,518	-	590,982	-		590,982
Additions to non-current assets	34,413	17,722	25,585	571	68,585	3,588	290,336	-	D	290,336
Segment assets	3,199,465	420,319	1,006,242	347,526	915,299	238,433	8,243,129	665,477	E	8,908,606



## NOTES TO THE FINANCIAL STATEMENTS

### 31. OPERATING SEGMENTS (cont'd)

*Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements*

- A Inter-segment revenue are eliminated on consolidation.
- B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements :

	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Assets written off:			
Property, plant and equipment	<b>25</b>	<b>1,182</b>	2,550
Biological assets	<b>25</b>	<b>285</b>	270
Intangible assets	<b>25</b>	<b>1,167</b>	12,701
Write-down of inventories, gross		<b>278</b>	16,211
Bad and doubtful debts, gross		<b>1,305</b>	747
Unrealised loss on foreign exchange, gross		<b>72,378</b>	11,091
Impairment loss on:			
Other investments	<b>25</b>	<b>2,427</b>	1,077
Biological assets	<b>25</b>	<b>2,074</b>	12,147
Loss on disposal of:			
Property, plant and equipment, gross		<b>230</b>	17,755
Other investments	<b>25</b>	<b>-</b>	683
Provision for retirement benefits	<b>25</b>	<b>3,884</b>	3,867
		<b>85,210</b>	79,099

- C The following items are added to/(deducted from) segment profit to arrive at "Profit before tax from continuing operations" presented in the consolidated statement of comprehensive income :

	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Share of results of associates	<b>26,036</b>	33,308
Interest expense	<b>(20,706)</b>	(16,362)
	<b>5,330</b>	16,946

## NOTES TO THE FINANCIAL STATEMENTS

### 31. OPERATING SEGMENTS (cont'd)

D Additions to non-current asset other than financial instruments and deferred tax assets consist of :

	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Property, plant and equipment	<b>3</b>	<b>123,057</b>	97,260
Intangible assets	<b>4</b>	<b>220</b>	744
Biological assets	<b>5</b>	<b>99,686</b>	125,712
Land held for property development	<b>6</b>	<b>68</b>	66
Prepaid land lease payments	<b>7</b>	<b>3,621</b>	-
Investment properties	<b>8</b>	<b>146,691</b>	66,554
		<b>373,343</b>	290,336

E The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position :

	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Investment in associates	<b>593,124</b>	590,982
Current tax assets	<b>32,091</b>	35,311
Deferred tax assets	<b>53,111</b>	39,184
	<b>678,326</b>	665,477

## NOTES TO THE FINANCIAL STATEMENTS

### 31. OPERATING SEGMENTS (cont'd)

#### Geographical information

Revenue and non-current assets information are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include investments in subsidiaries, investments in associates, other investments and deferred tax assets.

#### 2017

Revenue from external customers by location of customers

	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Australia RM'000	Others RM'000	Consolidated RM'000
	2,317,498	2,981,440	675,920	174,122	180,201	6,329,181

Non-current assets by location of assets

	1,247,642	293,749	819,917	545,031	459,865	3,366,204
--	-----------	---------	---------	---------	---------	-----------

#### 2016

Revenue from external customers by location of customers

	2,197,585	2,592,494	465,030	152,643	116,506	5,524,258
--	-----------	-----------	---------	---------	---------	-----------

Non-current assets by location of assets

	1,249,124	252,172	846,084	442,527	480,997	3,270,904
--	-----------	---------	---------	---------	---------	-----------

#### Major customers

There are no customers with revenue equal to or more than 10% of the Group's total revenue.

## NOTES TO THE FINANCIAL STATEMENTS

### 32. CONTINGENT LIABILITIES, UNSECURED - COMPANY

- 32.1 The Company has issued corporate guarantees to financial institutions for banking facilities granted to certain subsidiaries up to a limit of **RM282.7 million** (2016 : RM348.1 million) of which **RM261.6 million** (2016 : RM280.0 million) of credit facilities was utilised as at the end of the reporting date.
- 32.2 The Company has also issued corporate guarantees to certain non-financial institutions for the supply of goods and services provided to certain subsidiaries up to a limit of **RM79.5 million** (2016 : RM82.5 million) of which **RM6.4 million** (2016 : RM10.7 million) of liabilities were incurred as at the end of the reporting date.
- 32.3 The Company also undertakes to provide financial support for certain subsidiaries to enable them to continue as going concerns.

### 33. RELATED PARTIES

- 33.1 For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. Related parties include the following :

- a) The Company has a controlling related party relationship with its direct and indirect subsidiaries and the associates of the Group as disclosed in the financial statements;
- b) The Company also has a related party relationship with :
  - i) the substantial shareholder, Boon Siew Sdn Berhad which holds a 43% interest in the Company and presumed to exercise significant influence over the Company;
  - ii) the subsidiaries of Boon Siew Sdn Berhad and the direct and indirect associates of Boon Siew Sdn Berhad

(hereinafter referred as "Boon Siew Group of Companies"); and

- iii) The key Directors and key management personnel of the Group :

- Datuk Loh Kian Chong, DMSM
- Dato' Robert Wong Lum Kong, DSSA, JP
- Dato' Seri Lim Su Tong @ Lim Chee Tong, DGPN, DSPN
- Tan Kheng Hwee
- Dato' Sri Datuk Wira Tan Hui Jing, SSAP, DCSM, PKT, PJK

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Executive Directors of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 33. RELATED PARTIES (cont'd)

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

a) With subsidiaries

	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
i) Rental receivables	<b>1,080</b>	1,080
ii) Interest income	<b>7,582</b>	7,913

b) With associates of the Group

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
i) Sale of goods	<b>39,834</b>	33,273
ii) Rental (payables)/receivables (net)	<b>(20)</b>	5
iii) Management fee and commission payable	<b>3</b>	3
iv) Purchase of goods	<b>(10,797)</b>	(15,471)

c) With Boon Siew Group of Companies

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
i) Commission receivable in respect of advertising, marketing and hotel reservation services	<b>603</b>	674
ii) Sale of goods	<b>708</b>	494
iii) Purchase of goods	<b>(599)</b>	(639)
iv) Rental charges receivables (net)	<b>156</b>	188

	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
i) Rental payables	<b>(32)</b>	(32)

d) There were no transactions with the Directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 25.

The Directors of the Company are of the opinion that the above transactions were based on terms which have been established on a negotiated basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 33. RELATED PARTIES (cont'd)

#### 33.3 Significant non-trade related party balances

The significant non-trade balances with related parties at end of reporting period are as disclosed in Note 15 and Note 23 to the financial statements.

### 34. FINANCIAL INSTRUMENTS

#### 34.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows :

- (a) Loans and receivables ("L&R");
- (b) Available-for-sale financial assets ("AFS"); and
- (c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R RM'000	AFS RM'000
<b>2017</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	416,815	-	416,815
Trade and other receivables (excluding deposits and prepayments)	469,587	469,587	-
Short term investments	906,095	906,095	-
Cash and cash equivalents	3,040,600	3,040,600	-
	<b>4,833,097</b>	<b>4,416,282</b>	<b>416,815</b>
<b>Company</b>			
Other investments	32,341	-	32,341
Trade and other receivables (excluding deposits and prepayments)	4,585	4,585	-
Cash and cash equivalents	222,692	222,692	-
	<b>259,618</b>	<b>227,277</b>	<b>32,341</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.1 Categories of financial instruments (cont'd)

		Carrying amount RM'000	FL RM'000
<b>2017</b>			
<b>Financial Liabilities</b>			
<b>Group</b>			
Borrowings		1,581,839	1,581,839
Trade and other payables		441,313	441,313
		<u>2,023,152</u>	<u>2,023,152</u>
<b>Company</b>			
Borrowings		97,076	97,076
Trade and other payables		1,473	1,473
		<u>98,549</u>	<u>98,549</u>
	Carrying amount RM'000	L&R RM'000	AFS RM'000
<b>2016</b>			
<b>Financial assets</b>			
<b>Group</b>			
Other investments	353,156	-	353,156
Trade and other receivables (excluding deposits and prepayments)	562,189	562,189	-
Short term investments	716,536	716,536	-
Cash and cash equivalents	2,821,752	2,821,752	-
	<u>4,453,633</u>	<u>4,100,477</u>	<u>353,156</u>
<b>Company</b>			
Other investments	32,341	-	32,341
Trade and other receivables (excluding deposits and prepayments)	45,797	45,797	-
Cash and cash equivalents	157,769	157,769	-
	<u>235,907</u>	<u>203,566</u>	<u>32,341</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	FL RM'000
<b>2016</b>		
<b>Financial Liabilities</b>		
<b>Group</b>		
Borrowings	1,442,416	1,442,416
Trade and other payables	469,611	469,611
	<u>1,912,027</u>	<u>1,912,027</u>
<b>Company</b>		
Borrowings	134,092	134,092
Trade and other payables	1,271	1,271
	<u>135,363</u>	<u>135,363</u>

#### 34.2 Net gains and losses arising from financial instruments

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM'000</b>	<b>2016 RM'000</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Net gains/(losses) on:				
Available-for-sale financial assets				
- recognised in other comprehensive income	<b>45,230</b>	12,727	-	-
- recognised in profit or loss	<b>61,396</b>	83,832	<b>162,906</b>	173,768
Loans and receivables	<b>65,492</b>	68,007	<b>9,800</b>	14,693
Financial liabilities measured at amortised cost	<b>(62,354)</b>	(9,175)	<b>8,852</b>	(6,373)
	<u><b>109,764</b></u>	<u>155,391</u>	<u><b>181,558</b></u>	<u>182,088</u>

#### 34.3 Financial risk management

The Group has exposures to the following risks from its use of financial instruments :

- Credit risk
- Liquidity risk
- Market risk



## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment in debt securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

##### Receivables

*Risk management objectives, policies and processes for managing the risk*

The Group controls its credit risk by the application of credit approvals, limits and monitoring procedures. Credit evaluations are performed on all customers requiring credit over a certain amount and strictly limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ascertain that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables.

*Impairment losses*

The ageing of trade receivables as at the end of the reporting period was :

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
<b>Group</b>				
<b>2017</b>				
Not past due	246,173	334	-	245,839
Past due < 3 months	33,834	299	11	33,524
Past due 3-6 months	5,983	27	10	5,946
Past due 6-12 months	2,939	16	61	2,862
Past due more than 1 year	3,038	2,814	-	224
	<b>291,967</b>	<b>3,490</b>	<b>82</b>	<b>288,395</b>
<b>2016</b>				
Not past due	288,257	-	-	288,257
Past due < 3 months	79,977	115	-	79,862
Past due 3-6 months	8,452	91	-	8,361
Past due 6-12 months	2,102	108	-	1,994
Past due more than 1 year	3,778	3,436	8	334
	<b>382,566</b>	<b>3,750</b>	<b>8</b>	<b>378,808</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.4 Credit risk (cont'd)

##### Receivables (cont'd)

##### *Impairment losses (cont'd)*

The movements in the allowance for impairment losses of receivables during the financial year were :

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>3,758</b>	6,036
Exchange differences	<b>(1)</b>	(1)
Impairment loss recognised	<b>505</b>	313
Impairment loss reversed	<b>(11)</b>	(22)
Impairment loss written off	<b>(679)</b>	(2,568)
At 31 December	<b>3,572</b>	3,758

Although some of the receivables are secured by third party financial guarantees, it is impracticable to estimate the fair values of the guarantees obtained.

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

##### **Investments and other financial assets**

##### *Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group has invested in domestic and overseas securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.4 Credit risk (cont'd)

##### Financial guarantees

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company also provides guarantees to certain non-financial institutions for the supply of goods and services to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to **RM363.2 million** (2016 : RM430.6 million) representing the outstanding banking facilities and guarantees granted to certain non-financial institution for the supply of goods and services to certain subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

##### Inter company balances

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the current advances to the subsidiaries. Nevertheless, these advances are not considered to be overdue and are repayable on demand.

#### 34.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding to ascertain that all funding needs are met. As part of its overall prudent liquidity management, the Group endeavours to maintain sufficient level of cash or cash convertible investments to meet its working capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.5 Liquidity risk (cont'd)

##### *Maturity analysis*

The table below summarises the maturity profile of the Group's and Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

	2017					
	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
						More than 5 years RM'000
<b>Group</b>						
<i>Non-derivative financial liabilities</i>						
Secured term loans	56,368	2.68 - 3.04	56,903	3,782	9,742	43,379
Secured revolving credit	865,799	0.85 - 2.96	866,544	866,544	-	-
Finance lease liabilities	15,266	2.47 - 5.63	16,387	6,328	5,692	4,367
Unsecured revolving credit	613,087	0.90 - 1.45	614,028	614,028	-	-
Unsecured bankers' acceptances	31,319	3.93 - 4.36	31,319	31,319	-	-
Trade and other payables	441,313	-	441,313	441,313	-	-
	<u>2,023,152</u>		<u>2,026,494</u>	<u>1,963,314</u>	<u>15,434</u>	<u>47,746</u>
<b>Company</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	1,473	-	1,473	1,473	-	-
Unsecured revolving credit	97,076	0.90	97,076	97,076	-	-
Corporate guarantees	-	-	268,000	268,000	-	-
	<u>98,549</u>		<u>366,549</u>	<u>366,549</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.5 Liquidity risk (cont'd)

*Maturity analysis (cont'd)*

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2016							
Group							
Non-derivative financial liabilities							
Secured term loans	66,295	2.16 - 5.30	68,974	3,621	12,718	52,579	56
Secured revolving credit	651,200	0.85 - 1.30	652,026	652,026	-	-	-
Finance lease liabilities	14,954	2.47 - 6.70	16,193	5,582	4,681	5,930	-
Unsecured revolving credit	674,037	0.90 - 1.45	713,676	713,676	-	-	-
Unsecured bankers' acceptances	34,610	3.90 - 4.44	34,610	34,610	-	-	-
Bank overdrafts	1,320	8.00 - 8.30	1,320	1,320	-	-	-
Trade and other payables	469,611	-	469,611	469,611	-	-	-
	<u>1,912,027</u>		<u>1,956,410</u>	<u>1,880,446</u>	<u>17,399</u>	<u>58,509</u>	<u>56</u>
Company							
Non-derivative financial liabilities							
Trade and other payables	1,271	-	1,271	1,271	-	-	-
Unsecured revolving credit	134,092	0.90	134,214	134,214	-	-	-
Corporate guarantees	-	-	290,700	290,700	-	-	-
	<u>135,363</u>		<u>426,185</u>	<u>426,185</u>	<u>-</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

##### 34.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar, Australian Dollar, New Zealand Dollar, Japanese Yen, Thai Baht and Great Britain Pound.

##### *Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2017	US Dollar RM'000	Japanese Yen RM'000	Australian Dollar RM'000	Thai Baht RM'000	Great Britain Pound RM'000	New Zealand Dollar RM'000
<b>Group</b>							
Trade and other receivables		2,159	551	389	-	1	119
Borrowings		(62,067)	(1,405,622)	-	-	-	-
Trade and other payables		(8,109)	(21,013)	-	(13,581)	-	-
Cash and bank balances		199,506	79,593	175,352	-	5,938	40,721
<b>Exposure in the statement of financial position</b>		<b>131,489</b>	<b>(1,346,491)</b>	<b>175,741</b>	<b>(13,581)</b>	<b>5,939</b>	<b>40,840</b>
<b>Company</b>							
Cash and bank balances		474	56	-	-	-	-
Intra-group balances		6,071	-	-	-	-	-
Borrowings		-	(97,076)	-	-	-	-
<b>Exposure in the statement of financial position</b>		<b>6,545</b>	<b>(97,020)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.6 Market risk (cont'd)

##### 34.6.1 Currency risk (cont'd)

*Exposure to foreign currency risk (Cont'd)*

2016	Group	US Dollar RM'000	Japanese Yen RM'000	Australian Dollar RM'000	Thai Baht RM'000	Great Britain Pound RM'000	New Zealand Dollar RM'000
	Trade and other receivables	2,613	1,359	321	-	-	83
	Borrowings	(71,422)	(1,321,572)	-	-	-	-
	Trade and other payables	(12,801)	(12,771)	-	(12,420)	-	-
	Cash and bank balances	543,496	69,717	180,488	-	34,737	43,225
	<b>Exposure in the statement of financial position</b>	<b>461,886</b>	<b>(1,263,267)</b>	<b>180,809</b>	<b>(12,420)</b>	<b>34,737</b>	<b>43,308</b>
	<b>Company</b>						
	Cash and bank balances	127	7	-	-	-	-
	Intra-group balances	35,888	-	-	-	-	-
	Borrowings	-	(134,092)	-	-	-	-
	<b>Exposure in the statement of financial position</b>	<b>36,015</b>	<b>(134,085)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.6 Market risk (cont'd)

##### 34.6.1 Currency risk (cont'd)

###### *Currency risk sensitivity analysis*

A 5% (2016 : 5%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) the post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2017 RM'000	2016 RM'000
<b>Group</b>		
US Dollar	(4,997)	(17,552)
Japanese Yen	51,167	48,004
Australian Dollar	(6,678)	(6,870)
Thai Baht	516	472
Great Britain Pound	(226)	(1,320)
New Zealand Dollar	(1,552)	(1,646)
<b>Company</b>		
US Dollar	(249)	(1,369)
Japanese Yen	3,687	5,095

A 5% (2016 : 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

##### 34.6.2 Interest rate risk

The Group's investments in fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

###### *Risk management objectives, policies and processes for managing the risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risks that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest-earning financial assets are mainly short term in nature and are mostly placed in fixed deposits.



## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.6 Market risk (cont'd)

##### 34.6.2 Interest rate risk (cont'd)

###### *Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Fixed rate instruments</b>				
Financial assets				
- Quoted bonds	157,191	124,650	-	-
- Fixed deposits	1,776,139	1,844,741	118,528	149,988
- Short term investments	906,095	716,536	-	-
- Trade and other receivables	-	-	4,000	6,000
	<b>2,839,425</b>	<b>2,685,927</b>	<b>122,528</b>	<b>155,988</b>
Financial liabilities				
- Lease obligations	15,266	14,954	-	-
- Bankers' acceptance	31,319	34,610	-	-
	<b>46,585</b>	<b>49,564</b>	<b>-</b>	<b>-</b>
<b>Floating rate instruments</b>				
Financial assets				
- Trade and other receivables	-	-	-	39,760
Financial liabilities				
- Bank overdrafts	-	1,320	-	-
- Other borrowings	1,535,254	1,391,532	97,076	134,092
	<b>1,535,254</b>	<b>1,392,852</b>	<b>97,076</b>	<b>134,092</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.6 Market risk (cont'd)

##### 34.6.2 Interest rate risk (cont'd)

###### *Interest rate risk sensitivity analysis*

###### (a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

###### (b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	<b>Profit or loss</b>	
	<b>50bp increase RM'000</b>	<b>50bp decrease RM'000</b>
<b>2017</b>		
<b>Group</b>		
Floating rate instruments		
- Other borrowings	<u>(5,834)</u>	<u>5,834</u>
<b>Company</b>		
Floating rate instruments		
- Other borrowings	<u>(369)</u>	<u>369</u>
<b>2016</b>		
<b>Group</b>		
Floating rate instruments		
- Bank overdraft	(5)	5
- Other borrowings	<u>(5,288)</u>	<u>5,288</u>
<b>Company</b>		
Floating rate instruments		
- Trade and other receivables	151	(151)
- Other borrowings	<u>(510)</u>	<u>510</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.6 Market risk (cont'd)

##### 34.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

*Risk management objectives, policies and processes for managing the risk*

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group Executive Directors, as appropriate.

*Equity price risk sensitivity analysis*

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with the respective stock exchange market index which the investments are listed in.

A 10% strengthening in all the stock exchange market index at the end of the reporting period would have increased equity by **RM38,848,000** (2016 : RM32,478,000). A 10% weakening in the stock exchange index would have had equal but opposite effect on equity respectively.

#### 34.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted price in an active market and the fair value cannot be reliably measured.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.7 Fair value information (cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

2017	Group	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value					Total fair value	Carrying amount			
		Level 1				Level 2				Level 3				Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000	RM'000
		218,826	3,032	-	221,858	-	-	-	-	-	-	221,858	221,858			
		157,191	-	-	157,191	-	-	-	-	-	-	157,191	157,191			
		6,410	3,024	-	9,434	-	-	-	-	-	-	9,434	9,434			
		382,427	6,056	-	388,483	-	-	-	-	-	-	388,483	388,483			

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.7 Fair value information (cont'd)

Group	2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value amount	
		Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value		Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value		Total fair value amount	
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
<b>Financial assets</b>											
Quoted shares		186,360	3,121	-	189,481	-	-	-	-	189,481	189,481
Quoted bonds		124,650	-	-	124,650	-	-	-	-	124,650	124,650
Quoted unit trusts & REITS		5,490	2,990	-	8,480	-	-	-	-	8,480	8,480
Structured deposits		-	2,170	-	2,170	-	-	-	-	2,170	2,170
		316,500	8,281	-	324,781	-	-	-	-	324,781	324,781
<b>Financial liabilities</b>											
Term loans		-	-	-	-	-	-	66,295	66,295	66,295	66,295
Lease obligations		-	-	-	-	-	13,377	-	13,377	13,377	14,954
		-	-	-	-	-	13,377	66,295	79,672	79,672	81,249

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (cont'd)

#### 34.7 Fair value information (cont'd)

##### **Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

##### **Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

##### **Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

##### *Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowings arrangements.

##### **Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and Level 2 fair values during the financial year.

##### **Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

### 35. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected strategic investment opportunities. To maintain or adjust capital structure, the Group may adjust the dividend payment to stockholders.

There were no changes in the Group's approach to capital management during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

### 36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) Oriental Holdings Berhad ("OHB") and its wholly-owned subsidiary, Oriental Rubber & Palm Oil Sdn Berhad ("ORPO") which owned 91.9% and 6.1% respectively in Oriental Assemblers Sdn Bhd ("OA") together with other minority shareholders, had on 21 June 2016, entered into a Share Purchase Agreement ("SPA") to dispose of the collective 100% equity interest in OA to Aroma Kiara Sdn Bhd ("AKSB"). The disposal was completed on 31 May 2017.

#### Effect of disposal on the financial position of the Group :

	2017 RM'000
Property, plant and equipment	5,092
Inventories	541
Trade and other receivables	653
Current tax assets	32
Cash and cash equivalents	1,281
Other payables	(1,488)
Net assets and liabilities	<u>6,111</u>
Non-controlling interests share of net assets	(117)
Gain on disposal of a subsidiary	22,289
Consideration received, satisfied in cash	<u>28,283</u>
Cash and cash equivalents disposed of	(1,281)
Net cash inflow	<u>27,002</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

- (ii) Armstrong Component Parts (Vietnam) Co., Ltd ("ACP"), a wholly-owned subsidiary of Armstrong Auto Parts Sdn Berhad which in turn is 60.26% owned by the Company had on 6 February 2017 submitted the notice of voluntary dissolution and termination of activities to the Vietnamese tax authority. ACPV was involved in the manufacturing of automotive parts before ceasing its business operations in November 2014. The liquidation is still in progress.
- (iii) Oriental International Mauritius Pte. Ltd., a wholly-owned subsidiary of the Company, has incorporated a wholly-owned subsidiary company known as OIM (Aust) Pty. Ltd. ("OIM (Aust)") in Australia on 18 April 2017. The intended principal activity of OIM (Aust) is property investment holding.

### 37. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

- (i) Oriental Holdings Berhad ("OHB") had on 16 November 2017 entered into a Sale and Purchase Agreement to acquire from Honda Motor Company Ltd. ("Honda Motor") its entire 23.62% equity interest in Armstrong Auto Parts Sdn Berhad ("AAP") for a total cash consideration of RM1 only. OHB holds an 83.88% in AAP for which 77.23% is held directly and the remaining 6.65% is held indirectly through a wholly owned subsidiary as of the acquisition completion date on 12 January 2018.
- (ii) Oriental Holdings Berhad ("OHB") had on 16 November 2017 entered into a Sale and Purchase Agreement to acquire from Honda Motor Company Ltd. ("Honda Motor") its entire 25.0% equity interest in Armstrong Cycle Parts (Sdn) Berhad ("ACP") for a total cash consideration of RM2,898,500.00. OHB holds 82.14% in ACP upon the completion of the acquisition on 12 January 2018.
- (iii) Oriental Holdings Berhad ("OHB") had on 22 November 2017 entered into a Sale and Purchase Agreement to acquire from Dato' Syed Mohamad Bin Syed Murtaza ("Dato' Aidid") its entire 12.858% equity interest in Armstrong Cycle Parts (Sdn) Berhad ("ACP") for a total cash consideration of RM1,490,757. OHB holds 95.00% in ACP upon the completion of the acquisition on 12 January 2018.
- (iv) Konkrit Utara Sdn. Bhd. ("KU"), is a wholly-owned subsidiary of Unique Mix (Penang) Sdn. Bhd. which in turn is a 70% owned subsidiary of Simen Utara Sdn. Bhd. ("SU"). SU is a 91% owned sub-subsidiaries of the Company. KU had on 1 September 2016 been placed under member's voluntary winding-up proceedings. On 24 November 2017, KU had convened Final General Meeting to conclude the winding up proceedings and shall be dissolved three months from the date of lodgement of statutory return to the Registrar of Companies.



## NOTES TO THE FINANCIAL STATEMENTS

### 38. DETAILS OF SUBSIDIARIES

Name of subsidiaries and principal activities	Group's effective interest	
	2017 %	2016 %
<b>Oriental Realty Sdn. Bhd.</b> <i>Property development and investment holding</i>	100.0	100.0
Subsidiary company of Oriental Realty Sdn. Bhd.		
<b>- Kenanga Mekar Sdn. Bhd.</b> <i>Property development</i>	100.0	100.0
<b>Syarikat Oriental Credit Berhad</b> <i>Money lending and leasing</i>	100.0	100.0
<b>Dragon Frontier Sdn. Bhd.</b> <i>Manufacture of plastic moulded parts for electrical, electronics and automotive industries</i>	100.0	100.0
<b>Bayview International Sdn. Bhd.</b> <i>Provision of advertising, marketing and central reservation services</i>	100.0	100.0
<b>Oriental Rubber &amp; Palm Oil Sdn. Berhad</b> <i>Cultivation of oil palm, investment holding and letting of parking lots</i>	100.0	100.0
Subsidiary of Oriental Rubber & Palm Oil Sdn. Berhad		
<b>- Oriental Boon Siew (M) Sdn. Bhd.</b> <i>Land reclamation and investment holding</i>	51.0	51.0
<b>Compounding &amp; Colouring Sdn. Bhd.</b> <i>Manufacture and sale of polypropylene compounds</i>	70.0	70.0
<b>Oriental Assemblers Sdn. Bhd.</b> <i>Assembly of motor vehicles and manufacture and sale of engines and transmissions</i>	-	97.9
<b>Armstrong Cycle Parts (Sdn.) Berhad *</b> <i>Property investment holding company</i>	57.1	57.1

## NOTES TO THE FINANCIAL STATEMENTS

### 38. DETAILS OF SUBSIDIARIES (cont'd)

Name of subsidiaries and principal activities (cont'd)	Group's effective interest	
	2017 %	2016 %
<b>Kah Bintang Auto Sdn. Bhd.</b> <i>Investment holding company and retailer of motor vehicles and trader of spare parts, accessories and related component parts and provision of after sales services</i>	100.0	100.0
Subsidiary of Kah Bintang Auto Sdn. Bhd. <b>- Kah Classic Auto Sdn. Bhd.</b> <i>Retailer of motor vehicles and trader of spare parts, accessories and related component parts, and provision of after sales services</i>	100.0	100.0
<b>Oriental Boon Siew (Mauritius) Pte. Ltd. #</b> <i>Investment holding and granting of loans</i>	50.5	50.5
Subsidiaries of Oriental Boon Siew (Mauritius) Pte. Ltd. <b>- OAM Asia (Singapore) Pte. Ltd. #</b> <i>Investment holding</i>	50.5	50.5
Subsidiaries of OAM Asia (Singapore) Pte. Ltd. <b>- OAM (Aust) Pty. Ltd. #</b> <i>Property investment holding</i>	50.5	50.5
<b>- PT Surya Agro Persada *</b> <i>Oil palm plantation</i>	45.5	45.5
<b>- OBS (Singapore) Pte. Ltd. #</b> <i>Investment holding and granting of loans</i>	50.5	50.5
Subsidiaries of OBS (Singapore) Pte. Ltd. <b>- PT Bumi Sawit Sukses Pratama *</b> <i>Oil palm plantation</i>	45.5	45.5
<b>- PT Gunung Sawit Selatan Lestari *</b> <i>Oil palm plantation</i>	45.5	45.5
<b>- PT Pratama Palm Abadi *</b> <i>Oil palm plantation</i>	45.5	45.5
<b>- PT Dapo Agro Makmur *</b> <i>Oil palm plantation</i>	45.5	45.5
<b>- PT Sumatera Sawit Lestari *</b> <i>Cultivation of oil palm plantation</i>	45.5	45.5

## NOTES TO THE FINANCIAL STATEMENTS

### 38. DETAILS OF SUBSIDIARIES (cont'd)

Name of subsidiaries and principal activities (cont'd)	Group's effective interest	
	2017 %	2016 %
<b>Teck See Plastic Sdn. Bhd.</b> <i>Investment holding, letting of property, plant and equipment and manufacture and distribution of plastic articles and products</i>	<b>60.0</b>	60.0
- <b>Lipro Mold Engineering Sdn. Bhd.</b> <i>Manufacture and repair of moulds, jigs and fixtures</i>	<b>48.0</b>	48.0
- <b>Armstrong Industries Sdn. Bhd.</b> <i>Investment holding</i>	<b>60.0</b>	60.0
- <b>Kasai Teck See (Malaysia) Sdn. Bhd.</b> <i>Designing, research and development, manufacturing and sale of plastic and automotive interior parts</i>	<b>45.0</b>	45.0
<b>Oriental Nichinan Design Engineering Sdn. Bhd.</b> <i>Design, manufacture and sale of prototype plastic models</i>	<b>88.0</b>	88.0
<b>Oriental San Industries Sdn. Bhd.</b> <i>Letting of properties and manufacturing and trading of plastic articles and products</i>	<b>100.0</b>	100.0
<b>Oriental International (Mauritius) Pte. Ltd. #</b> <i>Investment holding</i>	<b>100.0</b>	100.0
- <b>Oriental Industries (Wuxi) Co., Ltd. *</b> <i>Letting of property</i>	<b>95.0</b>	95.0
- <b>OIM (Aust) Pty. Ltd. #</b> <i>Property investment holding</i>	<b>100.0</b>	-
<b>Kah Motor Company Sdn. Berhad</b> <i>Distribution and retailing of motor vehicles and spare parts, servicing, rental and leasing of motor vehicles, investment holding as well as hotelier</i>	<b>100.0</b>	100.0
Subsidiaries of Kah Motor Company Sdn. Berhad		
- <b>Boon Siew (Borneo) Sendirian Berhad *</b> <i>Distribution of Honda motor cars and related spare parts</i>	<b>99.0</b>	99.0
- <b>Ultra Green Sdn. Bhd.</b> <i>Land reclamation and investment holding</i>	<b>100.0</b>	100.0
- <b>Happy Motoring Co. Sdn. Bhd. *</b> <i>Motor car dealer and the general repair and servicing of motor cars</i>	<b>51.0</b>	51.0
- <b>Kah New Zealand Limited #</b> <i>Provision of hotel accommodation</i>	<b>100.0</b>	100.0
- <b>Kah Australia Pty Limited *</b> <i>Property investment and hotel operation</i>	<b>100.0</b>	100.0

## NOTES TO THE FINANCIAL STATEMENTS

### 38. DETAILS OF SUBSIDIARIES (cont'd)

Name of subsidiaries and principal activities (cont'd)	Group's effective interest	
	2017 %	2016 %
- <b>Kah Power Products Pte. Ltd. #</b> <i>Distribution of motor power products</i>	100.0	100.0
- <b>KM Agency Sdn. Bhd.</b> <i>Insurance services for motor vehicles including cars</i>	100.0	100.0
- <b>Kingdom Properties Co. Limited</b> <i>Investment holding</i>	100.0	100.0
Subsidiaries of Kingdom Properties Co. Limited		
- <b>Park Suanplu Holdings Co., Ltd. *</b> <i>Hotelier</i>	89.5	89.5
- <b>Suanplu Bhiman Limited *</b> <i>Investment holding</i>	79.4	79.4
- <b>Silver Beech Operations UK Limited *</b> <i>Managing and operating of hotel</i>	100.0	100.0
- <b>Silver Beech Holdings Limited *</b> <i>Investment holding</i>	100.0	100.0
Subsidiary of Silver Beech Holdings Limited		
- <b>Silver Beech (IOM) Limited *</b> <i>Property holding</i>	100.0	100.0
- <b>30 Bencoolen Pte. Ltd. #</b> <i>Management of hotel operations</i>	100.0	100.0
<b>Armstrong Auto Parts Sdn. Berhad</b> <i>Investment holding company and a manufacturer for motor cycles and motor vehicles</i>	60.3	60.3

## NOTES TO THE FINANCIAL STATEMENTS

### 38. DETAILS OF SUBSIDIARIES (cont'd)

Name of subsidiaries and principal activities (cont'd)	Group's effective interest	
	2017 %	2016 %
Subsidiaries of Armstrong Auto Parts Sdn. Berhad		
- <b>Armstrong Realty Sdn. Bhd.</b> <i>Dormant</i>	<b>60.3</b>	60.3
- <b>Armstrong Trading &amp; Supplies Sdn. Bhd.</b> <i>General trading of related automotive parts</i>	<b>60.3</b>	60.3
- <b>Armstrong Component Parts (Vietnam) Co., Ltd *</b> <i>Under liquidation</i>	<b>60.3</b>	60.3
<b>Jutajati Sdn. Bhd.*</b> <i>Investment holding</i>	<b>100.0</b>	100.0
Subsidiaries of Jutajati Sdn. Bhd.		
- <b>Kwong Wah Enterprise Sdn. Bhd.*</b> <i>Investment holding</i>	<b>100.0</b>	100.0
Subsidiaries of Kwong Wah Enterprise Sdn. Bhd.		
- <b>North Malaya Engineers Trading Company Sdn. Berhad*</b> <i>Manufacture of steel wire, galvanised wire, wire mesh, barbed wire, weld mesh, nails and building materials</i>	<b>100.0</b>	100.0
- <b>Lipro Trading Sdn. Bhd.*</b> <i>Commission agent in trading of cement</i>	<b>100.0</b>	100.0
- <b>Simen Utara Sdn. Bhd. *</b> <i>Distributor of cement, concrete products and building materials</i>	<b>91.0</b>	91.0
Subsidiaries of Simen Utara Sdn. Bhd.		
- <b>Unique Pave Sdn. Bhd. *</b> <i>Manufacturer and dealer of concrete products</i>	<b>74.9</b>	74.9
- <b>Unique Mix (Penang) Sdn. Bhd. *</b> <i>Manufacturer and dealer of concrete products</i>	<b>63.7</b>	63.7
Subsidiaries of Unique Mix (Penang) Sdn. Bhd.		
- <b>Konkrit Utara Sdn. Bhd. *</b> <i>Commenced members' voluntary winding up on 1 September 2016, convened Final General Meeting on 24 November 2017 and shall be dissolved within three months from the date of lodgement of statutory return to the Registrar of Companies</i>	-	63.7
- <b>Unique Mix Sdn. Bhd. *</b> <i>Sale and distribution of ready-mixed concrete</i>	<b>63.7</b>	63.7

## NOTES TO THE FINANCIAL STATEMENTS

### 38. DETAILS OF SUBSIDIARIES (cont'd)

Name of subsidiaries and principal activities (cont'd)	Group's effective interest	
	2017 %	2016 %
<b>North Malaya Engineers Overseas Sdn. Bhd. *</b> <i>Investment holding</i>	<b>100.0</b>	100.0
Subsidiary of North Malaya Engineers Overseas Sdn. Bhd. <b>- North Malaya (Xiamen) Steel Co., Ltd. *</b> <i>Production of steel wire and its related products, and automobile spare parts</i>	<b>100.0</b>	100.0
<b>Selasih Permata Sdn. Bhd.</b> <i>Investment holding</i>	<b>50.5</b>	50.5
Subsidiaries of Selasih Permata Sdn. Bhd. <b>- PT Gunung Maras Lestari *</b> <i>Oil palm plantation</i>	<b>46.7</b>	46.7
<b>- PT Gunungsawit Binalestari *</b> <i>Oil palm plantation</i>	<b>46.7</b>	46.7
<b>- PT Oriental Kyowa Industries *</b> <i>Dormant</i>	<b>72.8</b>	72.8
<b>- Oriental Asia (Mauritius) Pte. Ltd. #</b> <i>Investment holding, provision of consultancy and employment services and granting of loans</i>	<b>50.5</b>	50.5
<b>- Oriental Asia (Aust.) Pty. Ltd. #</b> <i>Investment property</i>	<b>50.5</b>	50.5
<b>Melaka Straits Medical Centre Sdn. Bhd.</b> <i>Operate a medical centre and provision of related healthcare services</i>	<b>51.0</b>	51.0
<b>Loh Boon Siew Education Sdn. Bhd.</b> <i>Investment holding</i>	<b>70.0</b>	70.0
Subsidiary of Loh Boon Siew Education Sdn. Bhd. <b>- Nilam Healthcare Education Centre Sdn. Bhd.</b> <i>Institution in providing nursing program</i>	<b>70.0</b>	70.0

\* not audited by KPMG.

# audited by member firms of KPMG International.

## NOTES TO THE FINANCIAL STATEMENTS

### 38. DETAILS OF SUBSIDIARIES (cont'd)

All the subsidiaries are incorporated in Malaysia except for :

	<u>Country of incorporation</u>
- Kah Australia Pty. Limited	Australia
- OAM (Aust) Pty. Ltd.	Australia
- Oriental Asia (Aust.) Pty. Ltd.	Australia
- OIM (Aust.) Pty. Ltd.	Australia
- Happy Motoring Co. Sdn. Bhd.	Brunei Darussalam
- North Malaya (Xiamen) Steel Co., Ltd.	China
- Oriental Industries (Wuxi) Co., Ltd.	China
- Oriental Asia (Mauritius) Pte. Ltd.	Mauritius
- Oriental Boon Siew (Mauritius) Pte. Ltd.	Mauritius
- Oriental International (Mauritius) Pte. Ltd.	Mauritius
- Kah New Zealand Limited	New Zealand
- PT Bumi Sawit Sukses Pratama	Republic of Indonesia
- PT Dapo Agro Makmur	Republic of Indonesia
- PT Gunungsawit Binalestari	Republic of Indonesia
- PT Gunung Maras Lestari	Republic of Indonesia
- PT Gunung Sawit Selatan Lestari	Republic of Indonesia
- PT Oriental Kyowa Industries	Republic of Indonesia
- PT Pratama Palm Abadi	Republic of Indonesia

## NOTES TO THE FINANCIAL STATEMENTS

### 38. DETAILS OF SUBSIDIARIES (cont'd)

All the subsidiaries are incorporated in Malaysia except for : (cont'd)

	<u>Country of incorporation</u>
- PT Surya Agro Persada	Republic of Indonesia
- PT Sumatera Sawit Lestari	Republic of Indonesia
- Kah Power Products Pte. Ltd.	Singapore
- OAM Asia (Singapore) Pte. Ltd.	Singapore
- OBS (Singapore) Pte. Ltd.	Singapore
- 30 Bencoolen Pte. Ltd.	Singapore
- Park Suanplu Holdings Co., Ltd.	Thailand
- Suanplu Bhiman Limited	Thailand
- Silver Beech Holdings Limited	United Kingdom
- Silver Beech Operations UK Limited	United Kingdom
- Silver Beech (IOM) Limited	United Kingdom
- Armstrong Component Parts (Vietnam) Co., Ltd	Vietnam



# APPENDIX

## DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The list of Directors (other than Directors of the Company) who served on the Boards of the subsidiaries of the Company during the financial year until the date of the Directors Report are set out below:

Angela Morris	Rose Ling Hie Ting
Baey Cheng Song	Ruddy Samuel
Chan Kuang	Sharmil Shah
Chew Kian Hong, Michael	Simon Garton
Chrispian Fry	Sushil Kumar Jugoo
Colin Herbert Charles Morrison	Tan Hui Ming
Dato' Dr Abdul Latiff bin Awang	Tan Liang Chye
Dato' Dr Tan Chong Siang	Teo Mui Huee @ Alice
Dato' Lim Kean Seng, D. I. M. P.	Viroj Tangjetanaporn
Dato' Lim Tiong Boon	Wong Tet Look
Dato' Loh Sum Min @ Loh Kean Min	Yaep Chin Yee
Dato' Seri Haji Mohd Isahak bin Mohd Yusuf	Yap Keow Seng
Dato' Seri Loh Cheng Yean	YM Tengku Tan Sri Dato' Seri Ahmad
Dato' Syed Mohamad bin Syed Murtaza	Rithauddeen Bin Tengku Ismail
David William Stavert	Yusuf Bin Jamil
Dr Tan Hui Ling	Datuk Abd Rahim bin Abd Halim
Eda Syukriati Binti Usman	(Appointed on 6.3.2017)
Effendi Suryono	Kuniyuki Watanabe
Heng Chin Hooi	(Appointed on 26.4.2017)
Hideaki Matsuya	Caroline Ip
Jayechund Jingree	(Appointed on 15.12.2017)
John Tyrer	Kenta Watanabe
Kang Boon Seng @ Kang Siew Seng	(Appointed on 1.3.2017; resigned on 12.1.2018)
Karli Boenjamin	Akira Murayama
Kevin Yasheel Jingree	(Appointed on 13.4.2017; resigned on 12.1.2018)
Khaw Liang Tse	Kazuhisa Hirota
Khoo Kay Jee	(Resigned on 1.4.2017)
Lim Ee Hean	Itaru Nishikawa
Lim Ee Ling	(Resigned on 26.4.2017)
Lim How Ghee	Sean Peter Martin
Lim Huck Seng	(Resigned on 11.9.2017)
Lim Yoke Tuan	David Le Couillard
Loh Kok Sin	(Resigned on 15.12.2017)
Loh Nam Hooi	Kazuhiko Mori
Loke Kim Hai	(Resigned on 12.1.2018)
Loke Poay Seng	Masami Masuyama
Loo Chin Chee	(Resigned on 12.1.2018)
Masanobu Ikegami	Looi Kok Loon
Muhammad Hariz bin Mohd Nadzmi	(Resigned on 17.2.2018)
Ngeow Zoo Gin	Masayuki Sato
Ong Chai Hong	(Resigned on 1.3.2017)
Ong Liang Ghee	Keisuke Koyama
Ooi Soo Pheng	(Resigned on 21.3.2018)
Robert William McNab	Koji Toyota (Alternate to Kazuhiko Mori)
Ronnie Lee Lye Beng	(Ceased on 12.1.2018)

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

In the opinion of the Directors, the financial statements set out on pages 66 to 183 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

**Datuk Loh Kian Chong, DMSM**

Director

**Dato' Seri Lim Su Tong, DGPN, DSPN**

Director

Penang

Date : 9 April 2018

## STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Wong Tet Look, the officer primarily responsible for the financial management of Oriental Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 66 to 183 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named Wong Tet Look, NRIC: 501015-07-5255, MIA CA 1586, at George Town in the State of Penang on 9 April 2018.

.....  
**Wong Tet Look**

Before me :

**Goh Suan Bee (No. P125)**  
**Commissioner for Oaths**  
**Penang**

# INDEPENDENT AUDITORS' REPORT TO THE STOCKHOLDERS OF ORIENTAL HOLDINGS BERHAD (Company No. 5286-U) (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Oriental Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 183.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

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

### Key Audit Matters

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

#### 1. Impairment of Goodwill

Refer to Note 1(d) (*basis of preparation - use of estimates and judgements*), Note 2(p)(ii) (*significant accounting policies - Impairment of other assets*) and Note 4.

The Group's carrying amount of goodwill as at 31 December 2017 of RM29.0 million relates mainly to the plantation companies in Indonesia. The recoverability of the carrying amount of the cash generating units of the affected plantation companies, including goodwill is dependent on their recoverable values, determined using the discounted cash flows forecast/projections. This is one of the areas that our audit focuses on because there are inherent uncertainties and significant management judgement involved in forecasting and discounting future cash flows of the affected cash generating units to arrive at the recoverable values. The inherent uncertainties include among others, the appropriateness of significant assumptions and discount rates.

# INDEPENDENT AUDITORS' REPORT TO THE STOCKHOLDERS OF ORIENTAL HOLDINGS BERHAD (Company No. 5286-U) (Incorporated in Malaysia)

## Key Audit Matters (cont'd)

### How our audit addressed the key audit matter

Our audit procedures include, among others:

- evaluated the impairment test model by comparing it with the requirements of the Financial Reporting Standards;
- assessed the appropriateness of the discount rates used by comparing these with our expectations based on our knowledge of the industry in which the Group operates;
- assessed those significant and highly sensitive assumptions, such as the long term outlook of prices for crude palm oil and palm kernel oil, to determine that these were reasonable and supportable by comparing them with internal and external sources;
- read the report of and interviewed the valuer engaged by the Group in estimating the recoverable values for some of the cash generating units of the affected plantations;
- considered the adequacy of the disclosures on the impairment assessment for the cash generating units of which the assumptions applied were particularly sensitive, uncertain or required significant judgement. As such, these assumptions may have a significant risk which could result in a material adjustment to the carrying amount of the goodwill and other assets within the cash generating units over the next financial year.

## 2. Interests in subsidiaries

Refer to Note 1(d) (*basis of preparation - use of estimates and judgements*), Note 2(p)(ii) (*significant accounting policies – Impairment of other assets*) and Note 9.

As disclosed in Note 9 to the financial statements, the Company's carrying amount of interests in subsidiaries stood at about RM858 million at year end, including an amount of RM187 million due from certain subsidiaries which is not expected to be repaid within the next twelve months and are thus regarded as quasi investments of the Company. There is an indicator of impairment arising from some of the loss-making subsidiaries. This is an area that our audit focuses on as there are inherent uncertainties and significant management judgement involved in forecasting and discounting future cash flows of the affected cash generating units to arrive at the recoverable values versus the carrying amount of the interests in subsidiaries. The inherent uncertainties include among others, the appropriateness of significant assumptions and discount rates.

### How our audit addressed the key audit matter

Our audit procedures include, among others:

- evaluated the impairment test model by comparing it with the requirements of the Financial Reporting Standards;
- assessed the appropriateness of the discount rates used by comparing these with our expectations based on our knowledge of the industry in which the subsidiaries operate;
- assessed those significant and highly sensitive assumptions, such as the sales growth rate, sales quantity, selling price and gross profit margin to determine that these were reasonable and supportable by comparing them with internal and external sources;
- considered the adequacy of the disclosures on the impairment assessment for the cash generating units of which the assumptions applied were particularly sensitive, uncertain or required significant judgement. As such, these assumptions may have a significant risk which could result in a material adjustment to the carrying amount of the interests in subsidiaries.

## INDEPENDENT AUDITORS' REPORT TO THE STOCKHOLDERS OF ORIENTAL HOLDINGS BERHAD (Company No. 5286-U) (Incorporated in Malaysia)

### **Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Annual Report and, in doing so, consider whether the Annual Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Annual Report, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

## INDEPENDENT AUDITORS' REPORT TO THE STOCKHOLDERS OF ORIENTAL HOLDINGS BERHAD (Company No. 5286-U) (Incorporated in Malaysia)

### Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 38 to the financial statements.

### Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**  
LLP0010081-LCA & AF 0758  
Chartered Accountants

Date : 9 April 2018

Penang

**Lee Phaik Im**  
Approval Number : 03177/05/2019 J  
Chartered Accountant

# TEN LARGEST PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2017

Location	Description	Land Area (sq.metres)	Tenure	Age of Building (Years)	Date of Acquisition	Net Book Value (RM million)
Phase 1A, 2A, 3A, 3B & 4 Pekan Klebang Sek. IV Melaka Tengah, Melaka	Land held for property development	1,689,522	Leasehold (Pending issuance of title)	-	-	226.9
Thistle Holborn The Kingsley Hotel Bloomsbury Way London WC1A 2SD United Kingdom	Hotel	8,027	Freehold	94	13 Feb 2012	210.7
Phase 3 Pekan Klebang Sek. IV Melaka Tengah, Melaka	Reclaimed land	687,966	Leasehold (Pending issuance of title)	-	-	194.4
Lot 2051, PN 50435 PHTM : 2361 Pekan Klebang Sek. IV Melaka Tengah Melaka	Land and hospital building	75,740	Leasehold (99 years expiring 2107)	4	16 Jul 2008	173.3
Kecamatan Simpang Rimba dan Payung, Kabupaten Bangka Selatan, Pulau Bangka Propinsi Kepulauan Bangka Belitung Republik of Indonesia	Oil palm plantation with residential quarters and administrative office	4,015 (hectares)	Pending Hak Guna Usaha	11	17 Nov 2006	153.9
Kecamatan Karang Dapo Kecamatan Rawas Ilir Kecamatan Mura Lakitan Kecamatan Muara Kelingi Kabupaten Musi Rawas Propinsi Sumatera Selatan Republik of Indonesia	Oil palm plantation with residential quarters and administrative office	2,835 (hectares)	Pending Hak Guna Usaha	-	18 July 2011	152.8
Kecamatan Jaya Loka Kecamatan Tiang Pumpung Kepungut Kecamatan Bulang Tenga Suku Ulu Kabupaten Musi Rawas Propinsi Sumatera Selatan Republik of Indonesia	Oil palm plantation with residential quarters and administrative office	1,913 (hectares)	Pending Hak Guna Usaha	6	31 Jan 2011	137.7
Somerset Park Suanplu No 39 Soi Suanplu South Sathorn Road Bangkok 10120 Thailand	Service apartment	6,555	Freehold	21	15 Sept 2011	134.1



## TEN LARGEST PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2017

Location	Description	Land Area (sq.metres)	Tenure	Age of Building (Years)	Date of Acquisition	Net Book Value (RM million)
247-249 Collins Street Melbourne Victoria 3000 Australia	Office building	478	Freehold	134	23 June 2017	115.6
Desa Pauh Kecamatan Rawas Ilir Kabupaten Musi Rawas Utara Propinsi Sumatera Selatan Republik of Indonesia	Oil palm plantation with residential quarters and administrative office	2,897 (hectares)	Leasehold (35 years expiring 2045 & 2048 & 2049)	2	03 Mar 2015	92

# STOCKHOLDING STATISTICS

## STOCKHOLDING STATISTICS AS AT 30 MARCH 2018

ISSUED SHARE CAPITAL	:	RM620,393,638/= comprising 620,393,638 stocks (including 31,808 treasury stocks)
CLASS OF STOCK	:	Ordinary Stocks
VOTING RIGHTS	:	On a poll - One vote for every ordinary stock held

## ANALYSIS OF STOCKHOLDINGS

Size of Stockholding	No of Stockholders/ Depositors	No. of Stocks	% of Issued Capital
1 - 99	330	11,646	0.00
100 - 1,000	1,172	833,515	0.13
1,001 - 10,000	3,544	14,253,816	2.30
10,001 - 100,000	1,247	37,831,175	6.10
100,001 to less than 5% of issued stocks	218	213,059,631	34.34
5% and above of issued stocks	4	354,403,855	57.13
Total	6,515	620,393,638	100.00

## SUBSTANTIAL STOCKHOLDERS

Name	No of stocks Direct	% of Issued Capital	No of stocks Indirect	% of Issued Capital
1. Boon Siew Sdn Bhd	266,729,662	43.00	78,604,757 <sup>(a)</sup>	12.67
2. Employees Provident Fund Board	63,242,616	10.19	-	-
3. Penang Yellow Bus Company Bhd	32,848,477	5.30	-	-
4. Datuk Loh Kian Chong	500,000	0.08	358,302,450 <sup>(b)</sup>	57.76
5. Aberdeen Asset Management PLC and its Subsidiaries	-	-	66,128,300 <sup>(c)</sup>	10.66
6. Standard Life Aberdeen PLC and its Subsidiaries	-	-	49,840,200 <sup>(c)</sup>	8.03
7. Aberdeen Asset Management Asia Limited	-	-	32,129,500 <sup>(d)</sup>	5.18

(a) Deemed interested via Penang Yellow Bus Company Bhd, Bayview Hotel Sdn Bhd, Boon Siew Development Sdn Bhd, Boontong Estates Sdn Bhd and Southern Perak Plantations Sdn Berhad.

(b) Deemed interested via Boon Siew Sdn Bhd, Penang Yellow Bus Company Bhd, Bayview Hotel Sdn Bhd, Loh Boon Siew Holdings Sdn Bhd, Loh Kar Bee Holdings Sdn Bhd, Boon Siew Development Sdn Bhd, Boontong Estates Sdn Bhd, Southern Perak Plantations Sdn Berhad and Global Investment Limited.

(c) Deemed interested via its subsidiaries' interests.

(d) Deemed interested via holding voting rights of OHB stocks through various funds managed.

## STOCKHOLDING STATISTICS

### **THIRTY LARGEST STOCKHOLDERS AS AT 30 MARCH 2018**

<b>No.</b>	<b>Name</b>	<b>No. of Stocks</b>	<b>% of Issued Capital</b>
1.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD BOON SIEW SDN BERHAD (00-00198-000)	133,365,188	21.50
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD BOON SIEW SDN BHD	133,364,474	21.50
3.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	54,825,716	8.84
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PENANG YELLOW BUS COMPANY BHD	32,848,477	5.29
5.	CITIGROUP NOMINEES (ASING) SDN BHD HONDA MOTOR COMPANY LTD	25,119,424	4.05
6.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD BAYVIEW HOTEL SDN BHD	21,848,407	3.52
7.	HSBC NOMINEES (ASING) SDN BHD BPSS LUX FOR ABERDEEN GLOBAL - ASIAN SMALLER COMPANIES FUND	19,547,000	3.15
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	10,645,800	1.72
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SOUTHERN PERAK PLANTATIONS SENDIRIAN BERHAD (PB)	9,000,000	1.45
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	8,422,300	1.36
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD LOH BOON SIEW HOLDINGS SDN BHD	7,568,031	1.22
12.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR BOONTONG ESTATES SDN BERHAD (PB)	7,000,000	1.13
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	6,353,600	1.02
14.	LOH KAR BEE HOLDINGS SDN BHD	5,200,000	0.84
15.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD BOONTONG ESTATES SDN BERHAD (00-00200-000)	4,432,966	0.71
16.	HSBC NOMINEES (ASING) SDN BHD BPSS LUX FOR ABERDEEN GLOBAL - EMERGING MARKETS SMALLER COMPANIES FUND	3,788,100	0.61
17.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	3,419,679	0.55
18.	CHINCHOO INVESTMENT SDN.BERHAD	3,369,960	0.54
19.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND AM4N FOR ABERDEEN INSTITUTIONAL COMMINGLED FUNDS LLC	3,333,500	0.54
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD LIM SU TONG	2,966,906	0.48

## STOCKHOLDING STATISTICS

### THIRTY LARGEST STOCKHOLDERS AS AT 30 MARCH 2018 (cont'd)

No.	Name	No. of Stocks	% of Issued Capital
21.	KEY DEVELOPMENT SDN. BERHAD	2,736,000	0.44
22.	GOLDEN FRESH SDN BHD	2,700,000	0.44
23.	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR EDINBURGH DRAGON TRUST PLC	2,189,400	0.35
24.	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC	2,075,600	0.33
25.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR BOON SIEW DEVELOPMENT SDN BERHAD (PB)	2,035,000	0.33
26.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	1,870,000	0.30
27.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD TONG YEN SDN BHD (00-00203-000)	1,708,278	0.28
28.	AMSEC NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)	1,570,100	0.25
29.	FOO LOKE WENG	1,470,024	0.24
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD BOON SIEW DEVELOPMENT SDN BHD	1,439,907	0.23
<b>TOTAL:</b>		<b>516,213,837</b>	<b>83.21</b>

## STOCKHOLDING STATISTICS

### **DIRECTORS' STOCKHOLDINGS AS AT 30 MARCH 2018**

	<b>Name of Directors</b>	<b>Direct Interest</b>	<b>%</b>	<b>Indirect Interest</b>	<b>%</b>
1.	Datuk Loh Kian Chong	500,000	0.08	358,302,450 <sup>(a)</sup>	57.76
2.	Dato' Robert Wong Lum Kong, DSSA, JP	181,149	0.03	161,872 <sup>(b)</sup>	0.03
3.	Dato' Seri Lim Su Tong	2,966,906	0.48	3,742,626 <sup>(b)</sup>	0.60
4.	Tan Kheng Hwee	172,032	0.03	-	-
5.	Dato' Sri Datuk Wira Tan Hui Jing	-	-	737,000 <sup>(c)</sup>	0.12
6.	Dato' Ghazi Bin Ishak	-	-	-	-
7.	Mary Geraldine Phipps	-	-	5,161 <sup>(d)</sup>	0.00
8.	Lee Kean Teong	-	-	-	-
9.	Sharifah Intan Binti S. M. Aidid *	18,000	0.00	-	-
10.	Nabuhide Nagata **	-	-	-	-
11.	Datin Loh Ean ( <i>alternate director to Dato' Robert Wong Lum Kong, DSSA, JP</i> )	161,872	0.03	181,149 <sup>(b)</sup>	0.03

(a) Deemed interested via Boon Siew Sdn Bhd, Penang Yellow Bus Company Bhd, Bayview Hotel Sdn Bhd, Loh Boon Siew Holdings Sdn Bhd, Loh Kar Bee Holdings Sdn Bhd, Boon Siew Development Sdn Bhd, Boontong Estates Sdn Bhd, Southern Perak Plantations Sdn Berhad and Global Investment Limited.

(b) These are stocks held in the name of the spouses and children and are regarded as interests of the Directors in accordance with Section 59(11)(c) of the Companies Act, 2016.

(c) Deemed interest via Loh Gim Ean Holdings Sdn. Bhd.

(d) Deemed interest via Phipps Holdings Sdn. Bhd.

\* She also holds 227,318 shares and 100,000 shares in Armstrong Auto Parts Sdn Berhad and Teck See Plastic Sdn Bhd respectively.

\*\* He resigned on 31 March 2018.

# FORM OF PROXY

CDS Account No.:	No. of stocks held:

I/We \_\_\_\_\_  
(Full name in Block Letters and NRIC / Company No.)

of \_\_\_\_\_ and \_\_\_\_\_  
(Address) (Tel. No.)

being a \*member/ members of Oriental Holdings Berhad hereby appoint

Full Name (in Block Letters)	NRIC/Passport No.	No. of Stocks	% of Stockholding

\* and/or

Full Name (in Block Letters)	NRIC/Passport No.	No. of Stocks	% of Stockholding

or failing \*him/her, the CHAIRMAN OF THE MEETING as \*my/our proxy, to vote for \*me/us and on \*my/our behalf at the FIFTY-SIXTH ANNUAL GENERAL MEETING of the Company to be held on Thursday, 7 June 2018 at 2:30 pm at Sri Mas Ballroom, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang or at any adjournment thereof.

\*My/our proxy is to vote on a poll as indicated below with an "X".

	ORDINARY										SPECIAL
Resolutions	1	2	3	4	5	6	7	8	9	10	1
FOR											
AGAINST											

\* Strike out if not applicable

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018

For appointment of 2 proxies, no. of shares and % of stockholdings to be represented by each proxy		
	No. of shares	%
Proxy 1		
Proxy 2		

\_\_\_\_\_  
Signature of Stockholder(s)/Common Seal

## Notes:

- A Member entitled to attend and vote at this meeting may appoint a proxy to attend and to vote on his behalf. A proxy may but need not be a Member. A Member may appoint 2 proxies to attend on the same occasion. If a Member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportions of his stockholdings to be represented by each proxy.
- Where a Member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint up to 2 proxies in respect of each securities account it may holds with ordinary stocks of the Company standing to the credit of the said securities account.
- Where a Member of the Company is an exempt authorised nominee which holds ordinary stocks in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.  
An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- If the appointer is a corporation, the Form of Proxy must be executed under the Common Seal of the Company or under the hand of its attorney duly authorised in writing.
- For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
- Should you desire your proxy to vote on the Resolutions set out in the Notice of Meeting, please indicate with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.
- In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 30 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.

## Personal Data Privacy

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

----- *Fold along this line* -----

Affix  
Postage  
Stamp

The Company Secretaries  
**Oriental Holdings Berhad** (5286-U)

Suite 16-1, (Penthouse Upper), Menara Penang Garden  
42A Jalan Sultan Ahmad Shah, 10050 Penang

----- *Fold along this line* -----

# 56<sup>TH</sup> ANNUAL GENERAL MEETING

## ADMINISTRATIVE DETAILS

Day and Date	Thursday, 7 June 2018
Time	2.30 pm
Venue	Sri Mas Ballroom, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang

### PARKING

- Parking is free and you are required to park your vehicle at Wisma Boon Siew's car park (Bayview Hotel Georgetown, Penang).  
Kindly get the car park ticket endorsed with the rubber stamp of Oriental Holdings Berhad at the registration hall and validate the said ticket at BSG Car Park Post (next to the car park entrance/exit) later to enjoy free parking.

### REGISTRATION

- Registration will commence at 1.00 pm and will end at the time as may be determined by the Chairman of the meeting.
- Please present your original National Registration Identity Card (NRIC) or Passport to the registration staff for verification. Please make sure your NRIC is returned to you after registration.
- An access card will be given to you thereafter. No one will be allowed to enter the meeting room without the access card. There will be no replacement should you lose or misplace the access card.
- You may proceed to the meeting room thereafter.
- Registration must be done in person. No person is allowed to register on behalf of another.
- The registration counter will handle verification of identity, registration and revocation of proxy/proxies.

### PROXY

- A member entitled to attend and vote in the meeting is allowed to appoint proxy. Please submit your Form of Proxy in accordance with the notes and instructions printed therein.
- The Form of Proxy is not required if you are attending the meeting.

- If you have submitted your Form of Proxy prior to the meeting and subsequently decided to attend the meeting in person, please proceed to the Registration Counter to revoke the appointment of your proxy.
- Please ensure that the original Form of Proxy is deposited at the Company's Registered Office at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Pulau Pinang no less than forty-eight (48) hours before the meeting time. No proof of despatch of Form of Proxy will be entertained.

### GENERAL MEETING RECORD OF DEPOSITORS

- For the purpose of determining who shall be entitled to attend the 56<sup>th</sup> Annual General Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 30 May 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

### ANNUAL REPORT 2017

- The Company Annual Report 2017 is available on the Company's website at [www.ohb.com.my](http://www.ohb.com.my) and Bursa Malaysia Securities Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

### AGM ENQUIRY

- For any enquiry prior to the 56<sup>th</sup> AGM, please contact the following during office hours:
  - Boardroom Corporate Services (Penang) Sdn. Bhd.  
(Tel +604 229 4390)
  - Share Registrar – Agriteum Share Registration Services Sdn. Bhd.  
(Tel +604 228 2321)



*This page is intentionally left blank.*



1<sup>st</sup> Floor, 25B Lebuhr Farquhar,  
10200 Penang, Malaysia.

**T** 604-263 8590

**F** 604-263 7152

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