



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

Annual Report 2009

Rising to the challenge

BOUSTEAD HOLDINGS BERHAD 3871-H

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

www.boustead.com.my

Annual Report 2009

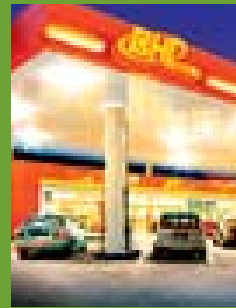
WHO WE ARE

Boustead Holdings Berhad is one of the nation's largest diversified conglomerates. The Group has an active interest in six primary sectors of the Malaysian economy. With over 180 years to its credit, the Group's market capitalisation is in excess of RM3 billion, while its shareholders' funds have grown and surpassed RM3.8 billion.

The Group's strength lies in the ability to seek opportunities, deliver consistent organic growth and build talent. With more than 13,000 employees, the Group is committed to raising the bar in developing Malaysia's human capital. The success of Boustead Holdings Berhad is a reflection of the commitment, dedication and integrity of its major shareholder, Lembaga Tabung Angkatan Tentera (LTAT).

BOUSTEAD GROUP

THE ROOTS OF OUR GROUP



PLANTATION DIVISION

Boustead's Plantation Division is primarily involved in the planting of oil palm and processing of crude palm oil. This Division is also at the forefront of groundbreaking research in oil palm tissue culture and genetics.

PROPERTY DIVISION

The Group is actively involved in the property sector with its increasingly popular residential, commercial and hotel projects.

TRADING DIVISION

Boustead lays claim to Malaysia's only other national retail petroleum network. The Division is also involved in warehousing, building materials, engineering, fast-moving consumer goods as well as vehicle distribution.

HEAVY INDUSTRIES DIVISION

The Division's primary thrust lies in the marine sector, both in the commercial and naval realm. Its operations are involved in shipbuilding, fabrication of offshore structures as well as the restoration and maintenance of vessels and defence related products.

FINANCE & INVESTMENT DIVISION

The Boustead Group has interest in the financial services sector via its investment in various financial entities that are involved in consumer banking, investment banking, Islamic banking and insurance, amongst other segments.

MANUFACTURING & SERVICES DIVISION

This Division has investments in top tier brands in Malaysia from the building materials and paint categories as well as the confectionery, pharmaceutical, travel, shipping, information technology and education sectors.



RISING TO THE CHALLENGE

This year's cover design depicts the distinctive cactus, known for its ability to withstand extremely challenging environments. It is an apt depiction of the Boustead Group's resilience during one of the most turbulent economic conditions of the decade. In the midst of a challenging economic climate, the Group has remained profitable, testament to our motto: "A tradition of strength and stability, a vision of growth and excellence".

CONTENTS

06	Chairman's Statement	070	Statement on Corporate Governance
012	Chief Executive's Review	078	Directors' Responsibility Statement
018	Plantation Division	079	Statement on Internal Control
024	Heavy Industries Division	083	Financial Statements
028	Property Division	159	Boustead Group
036	Finance & Investment Division	164	Additional Disclosures
040	Trading Division	166	Recurrent Related Party Transactions
044	Manufacturing & Services Division	174	Top 30 Properties of the Group
050	Corporate Social Responsibility	176	Group Oil Palm Agricultural Statistics
054	Five-Year Financial Highlights	177	Plantation Area Statement
056	Corporate Information	178	Location of Group Plantations
057	Financial Calendar	180	Shareholding Statistics
058	Board of Directors	182	Statement of Directors' Interest
060	Profile of Directors	183	Notice of Annual General Meeting
062	Senior Management Team	186	Statement Accompanying Notice of Annual General Meeting
066	Audit Committee Report	•	Proxy Form



BLOOMING

Despite challenging market conditions, the Boustead Group grew shareholders' value via strong dividends and a healthy balance sheet.



TENACITY

Driven by a tradition of excellence, the Boustead Group is steadfast in delivering results.



DIVERSITY IN OUR BUSINESS FOCUS

In the true spirit of 1Malaysia, the Boustead Group's reach resonates across diverse sectors of the economy.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDER,

A true test of a resilient corporation is not during good times but the hard times. Your Group has successfully weathered a very harsh economic turmoil globally, regionally and domestically.

Amidst this dampened demand that most certainly affected us, we were nevertheless able to deliver a profit before tax of half a billion Ringgit.

With this, I am pleased once again to present you our annual report for the year ended 31 December 2009.

ECONOMIC LANDSCAPE

Nations, businesses and even individuals were not spared the onslaught of the economic tsunami. The year started off very much the way 2008 had ended, depressed and tough. The Malaysian economy contracted by 6.2% in the first quarter of 2009 after registering a slight growth of 0.1% in the fourth quarter of 2008.

In response, the Malaysian Government introduced much needed stimulus packages that helped to prop up the domestic economy. Such efforts are necessary and laudable given the fact that the economy is very much export driven complemented with entrenched domestic opportunities.

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



CHAIRMAN'S STATEMENT

Fortunately, a prolonged recession was averted and the global economy is now improving. As for Malaysia, we are at the centre of enormous opportunities. This is due to our location in South East Asia which has a market in excess of 500 million people. To complement this prospect, our two most important markets, India and China hold further opportunities for our future success.

FINANCIAL PERFORMANCE

Considering the circumstances of the business environment, the Group has performed well with all our Divisions contributing to the bottom line.

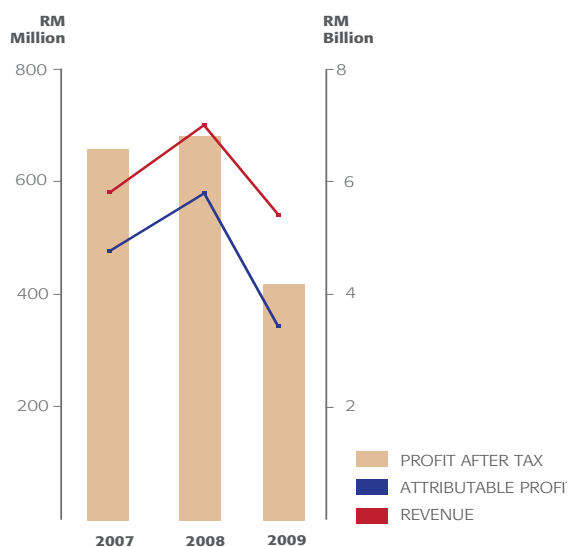
We closed the year with a profit after tax of RM418 million compared with RM668 million recorded in the previous year. Profit attributable to shareholders was RM342 million (2008: RM579 million) while earnings per share ended at 47 sen (2008: 91 sen) and net assets per share was RM4.20 (2008: RM4.47). Shareholders' funds stood at RM3.8 billion for the year ended 31 December 2009 compared with RM2.9 billion in the previous year.

DIVIDEND

We pride ourselves on delivering shareholder value and one of the most significant reflections of this is the strong dividends that our shareholders enjoy. For the financial year, the Group's dividend payout net of tax will be 22.1 sen per share representing a 6.4% yield based on the closing price for the financial year.

To date, dividends totalling 13.1 sen have been paid. The remaining 9 sen made up of a 3 sen tax deducted and 6 sen single tier dividend will be paid on 31 March 2010 and 2 April 2010 respectively to shareholders on the register as at 18 March 2010.

Hence, for this financial year, the Group has paid dividends for every quarter with a payout ratio of 54%. Importantly, we have demonstrated our commitment to our shareholders by distributing dividends on a timely basis.





KD Perak



CHAIRMAN'S STATEMENT



Training in session



UCO Duravent

HUMAN CAPITAL

Talent is crucial to our success and human capital is paramount in order for us to achieve results. We are fortunate to have developed a wide spectrum of talent, with defined skills and expertise.

During the year, we ploughed in more investments be it time, resources or funds to improve the personal development and skills-set of our human capital. Most importantly, this conscious effort has been undertaken from the very top at Board level down to senior management, middle management, executives as well as clerical and non-clerical personnel.

The year under review saw the initiation of a new policy whereby executive and non-executive employees are now required to complete a minimum number of hours in training annually.

Boustead Group is concerned with the shrinking talent pool in the nation, particularly in corporate Malaysia, and we for one are fully committed to helping unemployed graduates start off their career. I am glad to note, a sizeable number of graduates have been given the opportunity to be exposed to various facets of the Malaysian economy via on-the-job training within the Group and this will continue into the new financial year as well.

OUTLOOK

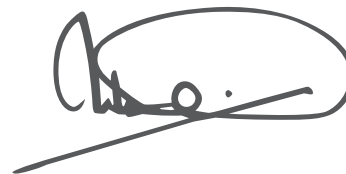
Though there are signs of recovery globally, regionally and domestically, we are cautiously optimistic of the prospects for the financial year 2010. Fortunately, due to our long-term strategies which form the foundation of our growth, the Boustead Group is comfortably diversified.

With our Divisions in almost every facet of the Malaysian economy, I am confident our earnings track record will remain.

ACKNOWLEDGEMENT

During tough times, we are all the more grateful for those who have worked harder, sacrificed more and delivered results. My deep appreciation to the Board of Directors for your vast experience, depth of knowledge and business insight. To the management team and employees, my utmost gratitude for your diligence and untiring efforts particularly during this year.

To our shareholders, thank you for believing in us and staying with us, while to our financiers, business partners, consultants and relevant approving authorities, the success of this year would not have been possible without your support one way or another. Terima Kasih.



GEN. TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT (R)
Chairman
3 March 2010



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

CHIEF EXECUTIVE'S REVIEW

DEAR SHAREHOLDER,

It has indeed been a trying year. This fact however has never held us back in the past and as such we steadfastly pursued the opportunities that lay inherent within our Divisions. To complement these initiatives, we have also undertaken strategic measures to fortify our balance sheet and improve our future earnings potential.

Irrespective of being in the midst of a booming economy or an economy that is on a downward spiral, one thing remains at Boustead, our focus. Through good years and bad, we have made a concerted decision to focus on our strategies which are:

- to deliver world class products and services by channelling our investments to build on what we already have;
- to enhance shareholder value by seizing opportunities locally and internationally, be it organically or inorganically;
- to maximise our earnings potential by fortifying our operations, improving our profitability track record and dividend yield;
- and to reinvest in talent which is crucial in order for us to achieve our goals and cultivate a positive corporate culture.

FINANCIAL PERFORMANCE

In the face of depressed economic conditions, the Group delivered positively, a RM502 million profit before tax on a turnover amounting to RM5.4 billion. We were able to deliver this result on account of our intention to remain diversified as a key participant in the various sectors of the Malaysian economy.

With a large stable of privately held companies, listed corporations and the only Islamic plantation REIT in the country, the Group is wisely diversified in its investments and market share.

During the year, we were able to deliver on our key performance indicators (KPI) for Government Linked Companies even in these trying conditions. A point to note, we indeed outperformed particularly in the category of dividends.

KPI	Actual	Target
Return on Equity	10.1%	10.0%
Return on Assets	7.1%	7.0%
Dividend (net of tax)	22.1 sen	15.0 sen

CHIEF EXECUTIVE'S REVIEW

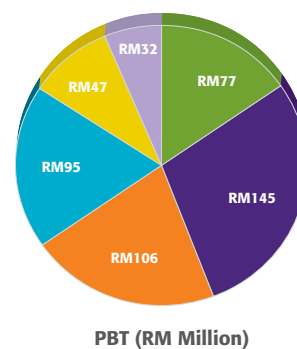
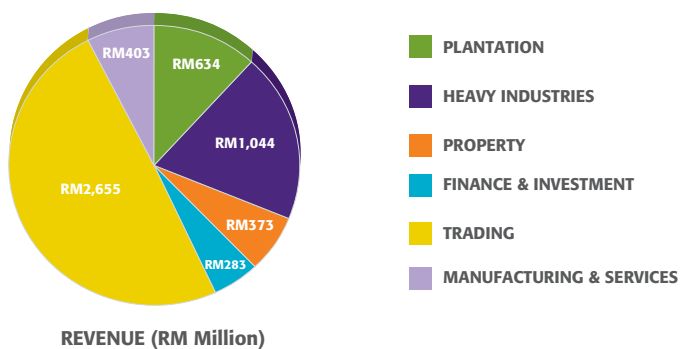
In keeping with our plans from the previous year and as a part of our commitment to our shareholders, we have reduced our gearing to 0.8 times from 1.2 times and our borrowings have been reduced to RM2.9 billion from RM3.5 billion. With an ever improving balance sheet, we are primed to invest in opportunities that will contribute to the enhancement of shareholder value.

Taking a leaf from this, the Boustead Group particularly for the year under review has entered the strong yielding dividend group of public listed companies. For four consecutive quarters, we have paid a total dividend net of tax amounting to 22.1 sen (2008: 22.5 sen) despite a drop in profit. We have taken a conscious stand to do this as shareholder value is paramount to our goal of remaining relevant to investors. In total, our dividend payout for the year on an extended shareholder base due to the rights issue was RM184 million. As you will note, even with a larger base we have still kept to a payout that is considered sizeable.

During the year all our Divisions have contributed positively to our profitability. The Finance and Investment and Trading Divisions registered a significant turnaround from losses last year. Heavy Industries, a relatively new Division, registered the largest contribution while Property was the second highest contributor. Our Plantation and Manufacturing and Services Divisions too registered a respectable profit given the backdrop of the year.

The Heavy Industries Division's good performance during the year can be attributed to our efforts to accelerate growth and increase recurring income by exploring new avenues for business. Our latest contract involving the overhaul of corvettes and our prospects of providing maintenance services to Malaysia's submarines hold much potential for us.

The Property Division's investment, development and hotel sectors performed well despite the challenges of the economy and the start-up of a new hotel. In recognition of the Group's efforts the much coveted FIABCI Malaysia Property Award for 2009 was conferred on the Curve, our first retail development project.





Our Finance and Investment Division performed exceedingly well due to improved profits from the Affin Group and BH Insurance. In addition, at the parent company level, Boustead Holdings Berhad incurred lower interest cost thanks to the low interest rate regime and the positive impact of the rights issue.

The Plantation Division, though a positive contributor to the Group's bottom line, has been severely affected by softer commodity prices. Additionally, the pressures on foreign labour are impacting our operational efficiencies at the estates.

The Trading Division registered a turnaround from its losses last year due to strong contributions from its petroleum and engineering arms. The Manufacturing and Services Division recorded an increased profit despite greater competition.

CORPORATE INITIATIVES

All in all it has been a good year despite external pressures. To complement organic growth and to improve the long-term viability of our Divisions, strategic measures were undertaken during the year.

The highlight most definitely was our rights issue which generated RM729 million. It is heartening to enjoy an oversubscription of 20% at a time when equity markets were falling into negative territory. This immediate cash injection reduced our gearing, improved our balance sheet and above all provided us with a war chest to seize inorganic opportunities.



KD Terengganu – Sea Trial

One such opportunity was when we acquired the entire share capital of what was once known as Cineleisure Damansara. We have since rebranded the property as e@Curve and are confident of its potential value given its strategic location.

We further consolidated our investment in Mutiara Damansara by entering into a synergistic alliance with Khazanah Nasional Berhad to form a joint venture company and bring Kidzania to Malaysian shores. This world renowned indoor theme park would be the first of its kind in Malaysia.

CHIEF EXECUTIVE'S REVIEW



We have been consistent in our stand that non-core assets will not have a role in Boustead as we are focused in concentrating our energies on what we do best. To this end, we divested our stake in Boustead Bulking Sdn Bhd and Riche Monde Sdn Bhd during the year.

OUTLOOK

It is not easy to forecast when one is faced with such choppy waters ahead. Nevertheless, we have proved our mettle over and over again. We will continue to do so in the coming financial year.



The Royale Chulan Kuala Lumpur



Your Group are firm believers in adhering to the highest standards of corporate governance. With the outlook of the implementation of new Financial Reporting Standards, we have undertaken an assessment of the potential impact. In view of this, we are certainly prepared for the new regime of standards which will impact us from financial year 2010 onwards.

The Heavy Industries Division holds much growth potential particularly as the ageing profile of the nation's marine vessels require more maintenance and care. Coupled with this, our successful track record with the offshore patrol vessels should augur well for us as we move forward.

The Property Division can look forward to stable recurring income from its investment properties and the improving prospect from our hotels. We are also confident with a new hypermarket coming up at Mutiara Rini in Johor, this will act as a catalyst to raise the value of properties in this vast township.

The Finance and Investment Division has entered into uncharted territory with Affin Bank in the process of acquiring an Indonesian financial institution. This holds growth potential given that the country is the fourth most populous nation in the world and the banking penetration remains low.

With the successful disposal of BH Insurance, the Boustead Group will benefit from an immediate cash flow injection of RM362 million which will then net us a profit of RM75 million.



We foresee that our Plantation Division will benefit from improving demand and supply conditions for crude palm oil (CPO). As our estates continue to perform in line with industry averages, some of our older trees will require significant replanting expenditure over the medium term in order to deliver improved yields for the long term. Albeit these circumstances, this Division will remain a key earner in the coming year particularly with the prospect of better CPO prices.

The Trading as well as Manufacturing and Services Divisions have shown a marked improvement from the previous year and we expect this trend to continue in 2010.

Before I leave you with a detailed elaboration on how our Divisions have performed as well as our corporate social responsibility efforts during the year I would like to assure you, our dear shareholder, that we will neither waver nor falter. We will persevere, deliver earnings and above all add value. We hope you find the following pages thorough and meaningful.

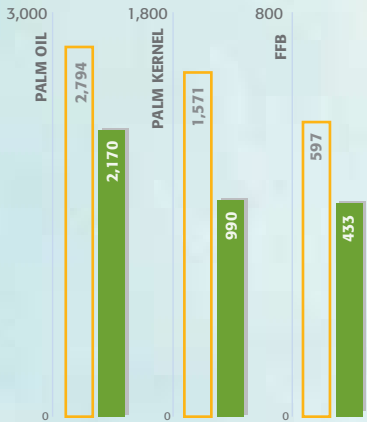
TAN SRI DATO' LODIN WOK KAMARUDDIN

Deputy Chairman/Group Managing Director
3 March 2010

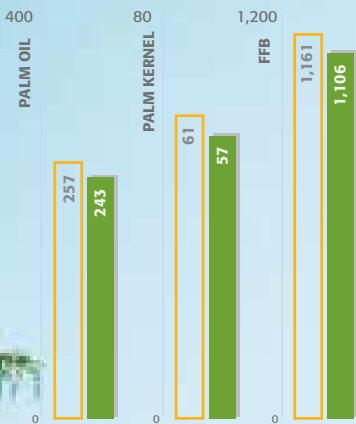
FINANCIAL HIGHLIGHTS
(RM' MILLION)



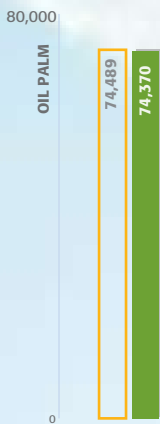
AVERAGE PRICES (RM per MT)



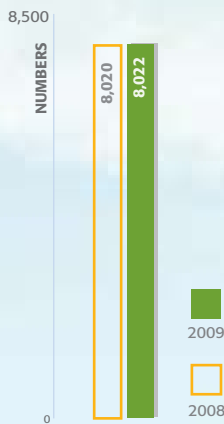
PRODUCTION ('000 MT)



PLANTED AREA (Ha)



EMPLOYEES



2009
2008

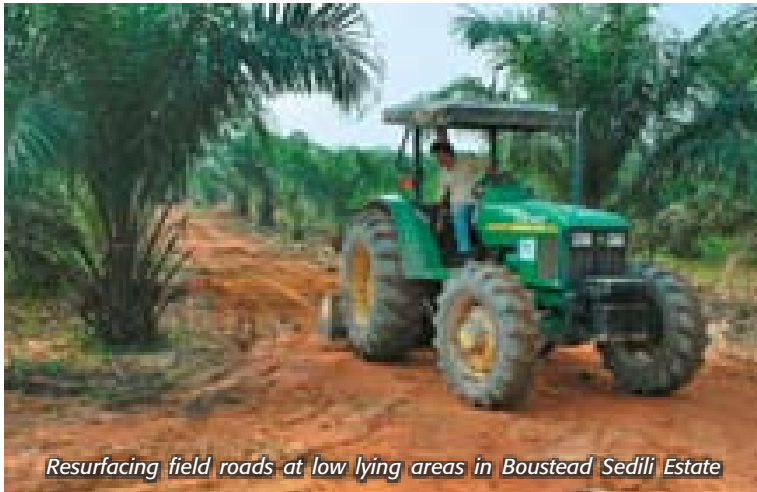
PLANTATION DIVISION

The Boustead Group, like many other participants in the sector was significantly impacted by lower CPO prices. Due to depressed commodity prices, the Division closed the year with a lower profit of RM77 million, reflecting a 71% drop on a year-on-year basis.

For the year under review, we registered an average net CPO price of RM2,170 per metric tonne (MT), a 22% decline compared with RM2,794 in 2008.



PLANTATION DIVISION



Resurfacing field roads at low lying areas in Boustead Sedili Estate



POME Compost produced by Boustead Biotherm Palmass Plant at Telok Sengat on field trial



High yielding clonal materials planted in 2006

MARKET REVIEW

The first half of 2009 saw the recovery of CPO prices from the dismal industry low of RM1,390 per MT in October 2008. CPO prices increased steadily from RM1,740 per MT in early 2009 and touched a high of RM2,865 in May 2009. However, prices spiraled downwards to RM2,002 in October 2009 due to several key factors. For one, the improved production of Indian oil seed resulted in lower import requirements of oils and fats. Additionally, the record US soybean crop as well as the increase in Malaysian palm oil stocks to around two million tonnes by end 2009 attributed to the dip in CPO prices. Finally, the drop in Brent crude oil from a high of USD145 to USD34 per barrel reduced demand for biofuels.

There was also pressure from foreign non-governmental organisations (NGOs) as the production of palm oil was deemed threatening to the orang utan habitat. NGOs were threatening to campaign against brand name consumer businesses unless they cease the use of palm oil. The European Union additionally imposed trade restrictions on the import of biofuel, especially palm oil based. This distorted smear campaign had a negative effect on CPO demand and prices.

*Biotherm Palmass Plant**POME compost biofertilizer*

ESTATES AND MILLS

Total land bank under our management was 97,700 hectares (ha), of which 16,400 ha are currently held under the Al-Hadharah Boustead REIT. Another 32,500 ha are presently held via Golden Crop Returns Berhad, a special purpose vehicle for the Asset Backed Securitisation programme undertaken by the Group in 2005. The remaining 48,800 hectares are held directly by the Division.

Area under oil palm cultivation was 74,370 ha. Our prime mature fields decreased marginally to 62,236 ha while the total young mature and immature areas were 4,634 ha and 7,500 ha respectively.

Broadly, our palm maturity profile is well-balanced. We have undertaken new plantings in order to gradually phase out palms in the past prime bracket and this will continue for several years more. Replanting efforts will invariably lead to more sustainable fresh fruit bunches (FFB) yields over the longer term.

FFB production was 1,106,000 MT compared with 1,161,000 MT last year. Peninsula Malaysia enjoyed a consistent crop production of 22.4 MT per ha while in Sabah, production decreased by 10% due to the cyclical yield downward trend as well as inclement weather. Production cost increased marginally to RM239 per MT due to higher fertiliser, transportation and labour cost. Our Sarawak and Indonesian operations were impacted by the disruption of work by the local populace, marginal soil conditions, shortage of workers and the weather.

*Newly constructed 4-bay storage ramp for FFB*

PLANTATION DIVISION



Pure cultures of pathogens and other microorganisms found in oil palm plantations



Shorter trunk for ease of harvesting

To enhance our agronomic and mill practices we have placed strong emphasis in developing our human resource, and towards this end, a series of workshops and seminars were conducted during the year.

The Boustead Group is committed towards sustainable palm oil production and our efforts to comply with the Roundtable on Sustainable Palm Oil certification are well underway. Mirroring this progress, we expect one mill and three estates to receive certification within the next two years. Our first mechanised composting plant in Johor not only eliminates methane from effluent treatment ponds but also produces organic fertilisers.

We are actively pursuing the development of our compact oil palm planting material, which produces shorter fronds and slower height increment for high density planting of more than 160 palms per hectare. During the year, we managed to plant 100 hectares using this compact material. We will continue to increase our area of compact palms where the environment is suitable. The cash flow benefit from this initiative is not immediately quantifiable but we are confident these palms will increase productivity and reduce production cost.

The Division's 11 mills with a capacity of 415 MT per hour processed a total crop of 1,203,000 MT for the year. In an effort to improve palm oil extraction rates (OER), we embarked on a monthly crop quality continuous improvement programme which saw our OER improving from 19.9% to 20.2%. Kernel extraction rate at 4.7% was comparable with last year.



The year saw the completion of the construction and commissioning of a new 40/60 MT per hour capacity mill by the Group Engineering Department for a reputable client in Sarawak. We have also upgraded several mills with new and modern efficient boilers to minimise green house gas emissions.

RESEARCH AND DEVELOPMENT

Research and development (R&D) plays a vital role in increasing our yields. The primary component of R&D is the enhancement of agronomic practices to improve the management of fertiliser application. Another major aspect is the usage of biotechnology which is ongoing to help us in the selection and improvement of planting materials. To this effect, we launched the AAR-UNMC Biotechnology Centre, a partnership between Applied Agricultural Resources (AAR) Sdn Bhd and University of Nottingham Malaysia Campus (UNMC) to synergise research for palm breeding and cultivation.

We also have collaborated with the Tropical Peat Research Laboratory Unit to improve the cultivation of oil palm in peat soil, with the purpose of optimising fertiliser applications. As a key player in the sector we are collaborating with the Malaysian Palm Oil Board to further improve our existing commercial planting materials.



Training on culling of oil palm seedlings before field planting

OUTLOOK

CPO prices travelled a hard journey in 2009. Fortunately, the intrinsic value of this much needed edible oil is widely recognised as CPO prices are strengthening continually.

Demand for crude palm oil is expected to remain robust amidst the potential supply disruptions from El Nino. This will be further supported by the potential production decline of other vegetable oils if the harsh weather conditions continue. Of course, the correlation to strengthening crude oil prices will remain a powerful denominator in improving the prospects for CPO.

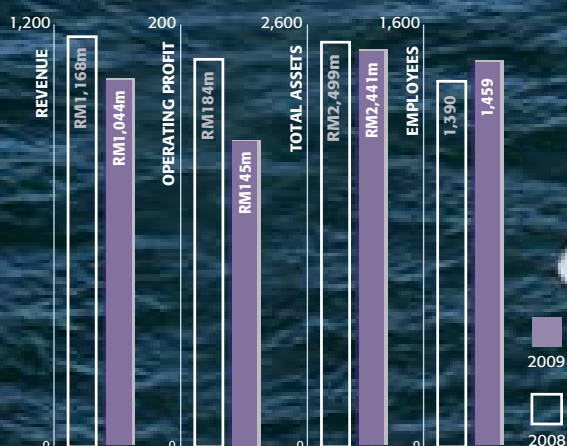
The year 2010, though starting on a good note, will hold more challenges for CPO. However, on a long-term range, we are confident our unwavering goal to increase yield and reduce cost will bear much fruit.

HEAVY INDUSTRIES DIVISION

The Division's strong orderbook delivered a commendable profit of RM145 million (2008: RM184 million) albeit conditions that affected this sector adversely. Our primary vehicle that drove the growth of this Division was Boustead Naval Shipyard Sdn Bhd which delivered a profit contribution of RM107 million against the previous year's RM116 million, while Boustead Heavy Industries Corporation Berhad excluding its associate company, registered a profit contribution of RM67 million.

The Division's core business thrusts are in shipbuilding, fabrication of offshore structures as well as repair and maintenance of vessels and defence related products.

FINANCIAL HIGHLIGHTS





HEAVY INDUSTRIES DIVISION



The launching ceremony for the sixth PV officiated by the Y.A.M. Tengku Zatashah Binti Sultan Sharafuddin Idris Shah Alhaj



The floating luxury yacht hotel

SHIPBUILDING – NAVAL

Our valuable asset, the Lumut Yard saw, the on-going completion of the Division's most significant contract with the Royal Malaysian Navy (RMN) namely the first batch of six Patrol Vessels (PV). To date, four PVs have been delivered and commissioned while two more are undergoing final outfitting at the Lumut Yard. To complement the construction of the PVs, we also provided repair overhaul and conversion work of other RMN vessels. Our services range from minor repairs to the provision of support services which include supplying spare parts, provision of preventive and corrective maintenance and logistics support.

SHIPBUILDING – COMMERCIAL

The Lumut Yard also played a crucial role in helping us complete and deliver an anchor handling tug supply vessel and a 60.8-meter well testing and servicing vessel (WTSV). We created history of sorts as the WTSV, equipped with well testing equipment and a four point mooring system, was the first of its kind to be built in Malaysia. The yard is currently busy as it is in the final stages of building a hull for a floating luxury yacht hotel for a company in Finland.

The Jerejak Yard was fully utilised along the year. We are in the midst of completing seven vessels, consisting of two units of anchor handling tug supply vessels, three units of chemical tankers and two units of accommodation crane barges.

SHIP REPAIRS

This segment of the business is growing as we have expanded our services to Kota Kinabalu and Kuantan. In-Service Support (ISS), refit, overhaul, supply of spares and warranty management for naval ships and general maintenance of commercial vessels including yachts, are some of the comprehensive services provided at our yards.

During the year, we successfully clinched a contract worth over RM700 million and formalised the Service Life Extension Programme with the Government of Malaysia to overhaul two 25-year old corvettes.

SUBMARINE IN-SERVICE SUPPORT

To achieve the aspirations of the nation's security needs, the Government of Malaysia has purchased two Scorpene submarines one of which has been delivered. Seizing this opportunity, we have ventured into the submarine maintenance business where we will be providing ISS services to the Prime Minister's Class Scorpene Submarines, KD TUNKU ABDUL RAHMAN and KD TUN RAZAK, for an initial period of six years. The ISS consists of providing technical and logistical engineering expertise and preventive as well as corrective maintenance work.

We have begun mobilisation of a workforce in Sepangar Bay, Kota Kinabalu, Sabah as part of the agreement with the Government.



The Muda Living Quarters Structure project



Langkawi International Maritime and Aerospace (LIMA) Exhibition 2009

OIL & GAS FABRICATION

The Division's strategic involvement in the oil and gas sector has borne fruit with the successful offshore installation of the Muda Living Quarters Structure for Carigali-PTTEPI Operating Company Sdn Bhd. Additionally, the year also saw the completion of a flareboom for ExxonMobil Exploration & Production Malaysia Inc.

Being a licensed PETRONAS fabricator, we are constantly in discussion with various parties for major oil and gas structure fabrication contracts. In line with the increasing global requirement coupled with improving oil prices, we are optimistic of the opportunities this segment has to offer.

WEAPONRY & ELECTRONICS

The maintenance prospects for this nature of equipment for the armed forces hold enormous potential. Already we are supplying spare parts and providing maintenance services to the Malaysian Army's Giraffe Search Radar. For the RMN, similar works are being conducted for installation of guns, surveillance radar, combat system, sonar system and echo sounder on-board several of its PVs and frigates.

TRANSFER OF TECHNOLOGY

The Division's goal has always been to ensure Malaysia profits from transfer of technology. Successes of our projects have been a result of collaborative efforts with foreign entities. In line with this, an agreement was signed with the Royal Navy



Prime Minister's Class Scorpene Submarine

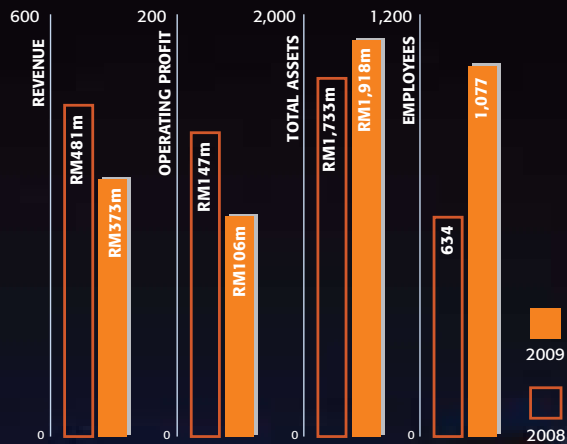
of Oman to train its technicians. The training module developed by our instructors provides an opportunity for us to train other navies in the future.

Also, as part of the submarine maintenance business, a French submarine designer and contractor will transfer technical know-how to our local pool of engineering talent.

OUTLOOK

We are optimistic that the coming year will present attractive prospects given improving economic conditions. In addition to contributing to the Group's earnings, the positive domino effect will also impact the local maritime economy, specifically with the creation of new employment and increased business activities for local suppliers and vendors.

FINANCIAL HIGHLIGHTS



PROPERTY DIVISION

The Division registered a profit of RM106 million (2008: RM147 million) despite the challenging economic environment of 2009.

Our commitment to the long-term development of the Property Division has shown results evidenced by awards bagged this year and the appreciation in value of all our properties.



PROPERTY DIVISION



PROPERTY DEVELOPMENT

The Property Development segment registered a profit of RM53 million, a 49% drop compared with a year ago. The drop was primarily due to the sale of several corporate lots in Mutiara Damansara in 2008.

The Group's vibrant and sought-after townships particularly Mutiara Damansara in Selangor and Mutiara Rini in Johor made their mark amongst discerning investors. The fully integrated, mixed development nature of Mutiara Damansara, offering corporate and residential units as well as retail in the form of shopping, entertainment, food and beverage, makes the township a preferred choice.

The year in review for Mutiara Damansara saw the completion and successful handing over of 123 units of semi-detached and super-linked homes along with nine bungalow units to new home-owners. Our residential products were well received by home-owners and performed significantly well in the secondary market.

The Surian Tower, built on behalf of Lembaga Tabung Angkatan Tentera (LTAT) was completed during the year. This 26-storey office tower, a landmark in the township's commercial centre features numerous multinational tenants including Nestlé, AstraZeneca and Procter & Gamble.



In Mutiara Damansara, it has always been the intention of the Group to ensure a seamless experience for both retailers as well as tenants and to this end we successfully completed the link from Surian Tower to e@Curve. With the completion of the linkage, Surian Tower is now also connected to Royale Bintang Damansara, the Curve, Curve NX, IKEA, IKANO Power Centre and Tesco Hypermarket via a seamless all-weather walkway. A bridge to the soon to be completed Royale Bintang Surian Hotel will be the final link.

Our new township of Mutiara Hills in Semenyih, Selangor saw the soft launch of 33 homestead lots. The township is set to be a popular one given the strong pull factor of the University of Nottingham in Malaysia which is accessible via a series of highways.

The Johor property market offers its own set of challenges with multiple developments competing for limited buyers. Despite this, Mutiara Rini managed to record impressive sales of its launches during the year.

Taman Mutiara Rini located within the Iskandar Development Region (IDR) of Johor saw the handing over of 309 units of shops and terrace houses as well as the successful launch of 249 units of single and double storey terrace houses. The property market picked up at the end of the year and Mutiara Rini saw exceptional response to its single storey units which were snapped up within the first three days of the launch.



This maturing and established township saw the sale of a large parcel of prime commercial land to a hypermarket operator. This sale is in line with our objective of offering home-owners and investors the opportunity to be part of a fully integrated, mixed development township in the thriving city of Johor Bahru.

PROPERTY INVESTMENT

Our investment in high value properties with progressively solid yields has augured well for us as we continue to benefit from strong fair value gains which have made a significant impact to our bottom line.

The Group's office properties located in Kuala Lumpur's central business district have continued to deliver stable and recurring returns which are commendable given the challenges of the past year. Rental rates for the properties, namely Menara Boustead, Wisma Boustead and Menara Affin saw an increase. This together with almost full occupancies for all three properties contributed to the segment's performance.

PROPERTY DIVISION



Our 43 units of luxury condominiums in Jalan Ampang is gaining popularity with the expatriate community as 183 Ampang is located within walking distance of the British and American embassies. In addition, its enviable location close to Kuala Lumpur's shopping and business districts makes it all the more attractive.

In Mutiara Damansara, we continue to add value to the township, through the redevelopment of a 1.6 acre parcel of land which formerly housed the McDonalds Drive-Thru Restaurant.

As the Curve becomes more and more popular, the need for more parking bays is evident especially on weekends when they are much sought-after. To be named Curve NX, the new building which is under construction will not only house the seven-storey car park with 700 bays but also the re-modeled McDonalds Drive-Thru Restaurant on the ground floor.

Mutiara Damansara's appeal as a much sought after location also attracted an international award winning indoor theme park known as KidZania. The 60,000 sq ft indoor theme park will allow children to experience the world of adult occupations first hand. KidZania is expected to take edutainment to a whole new level.

By far one of Malaysia's top shopping destinations, the Curve is barely five years old. Today this bustling and thriving shopping centre, offering an array of retail attractions has seen growth in visitorship. Its strength lies not only in its location





but also in its tenant mix. Retailers, both local and foreign, are lining up to be part of the Curve's success. This year saw the opening of new retail outlets and shops amongst others, Theobroma Chocolate Lounge, Subway Sandwiches, Garden Café & Lifestyle Store and Hush Puppies.

Given the popularity of the Curve, numerous events and promotions took place during the year. Regulars include the BH Petrol Orange Run, CIMB Malaysian Open Squash Championship, International Car Roadshows, Merdeka Day Celebrations and New Year's Eve Party.

The greatest recognition for the year was when the Curve was named the 'Winning Project for the Retail Development Category' at the prestigious FIABCI Malaysia Property Award 2009. It also won the BrandLaureate SME Award 2009 in the Leisure Retail Mall category.

Our strategic move to expand our investment portfolio by acquiring the remaining share capital not already owned by us in e@Curve (formerly Cineleisure Damansara) means that we now have full control over e@Curve. We are confident that more traffic will soon gravitate to this entertainment and retail property given its location in the Mutiara Damansara Commercial Centre. It has barely been six months since we undertook the programme to revamp e@Curve which consists of creating a better retail mix and adding conveniences such as escalators, linkages and entrances. In addition, we have planned further physical enhancements as we are certain such an investment will only reap greater gains for us in the long run.



Celebrations at the Curve

PROPERTY DIVISION



HOTEL

As Malaysia's tourism prospects domestic and foreign grow, we are positive on the potential of this segment of the Property Division. April 2009 saw the opening of the much awaited Royale Chulan. However, the segment registered a drop in profit due to start-up costs of our latest hotel.

Our initial investment in Royale Bintang has spurred us on to build and invest further in the brand. The first Royale Bintang, featuring 400 rooms and located in the shopping and tourist belt of Kuala Lumpur enjoyed an average occupancy rate in excess of 80%.

The Royale Bintang Damansara, popular with both tourists and businessmen, achieved an average occupancy rate in excess of 90%. The 300 room Royale Bintang Seremban, situated in the picturesque Lake Gardens district of Seremban is an ideal spot for team building getaways and corporate brainstorming sessions. The Royale Bintang Penang located on a UNESCO Heritage Site is set to be a unique attraction in the Pearl of the Orient once completed.



The glassed-in courtyard at the Royale Chulan Kuala Lumpur

The 5-star Royale Chulan Kuala Lumpur with its uptown address within walking distance of major shopping and business districts in the heart of the bustling city offers guests a true taste of exquisite Malaysian culture and heritage. The hotel, owned by LTAT and managed by the Group showcases 300 deluxe rooms, 99 service apartments, 15 meeting rooms, a grand pillarless ballroom and an exclusive private function room with an uninterrupted panoramic view of the KL skyline. The highlight of the hotel of course is the glassed-in courtyard conservatory, perfect for special events such as cocktail receptions, weddings or dinners. The hotel has played host to an array of events including the Malaysia International Gourmet Festival 2009 Gala Launch, Miss Malaysia Universe 2009, the 6th World Chambers Congress 2009 and the D8 Ministerial Meeting.

The next hotel is the Royale Surian which will be located in Mutiara Damansara. The new 300-room hotel featuring a convention hall with seating capacity of 1,000 and an ice-skating rink will be completed in 2012.

OUTLOOK

The improved economic landscape for 2010 will augur well for the Division's new property launches, investment properties and hotels. The challenges ahead will be in the form of increasing our supply of prime landbank, increased competition and more discerning housebuyers.



The exquisitely designed lobby

