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BOUSTEAD HOLDINGS BERHAD 3871-H

Annual Report 2010



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

*A Tradition of
Excellence*

Annual Report **2010**

ABOUT US

BOUSTEAD HOLDINGS BERHAD IS ONE OF MALAYSIA'S LARGEST DIVERSIFIED CONGLOMERATES. ESTABLISHED IN 1828, THE GROUP HAS GROWN FROM STRENGTH TO STRENGTH AND IS TODAY A DYNAMIC ORGANISATION WITH A COMPREHENSIVE RANGE OF BUSINESS INTERESTS SPANNING SIX PRIMARY SECTORS OF THE MALAYSIAN ECONOMY: PLANTATION, HEAVY INDUSTRIES, PROPERTY, FINANCE & INVESTMENT, TRADING AND MANUFACTURING & SERVICES.

WITH MORE THAN 13,000 EMPLOYEES IN OVER 100 SUBSIDIARIES AND ASSOCIATES, THE GROUP, WHOSE MAJOR SHAREHOLDER IS LEMBAGA TABUNG ANGKATAN TENTERA, HAS TOTAL ASSETS IN EXCESS OF RM9 BILLION AND HAS BEEN LISTED ON BURSA MALAYSIA SINCE 1961. ITS MARKET CAPITALISATION WAS IN EXCESS OF RM5 BILLION AT THE CLOSE OF THE FINANCIAL YEAR. ITS SHAREHOLDER FUNDS STAND AT RM4 BILLION. PROUD OF ITS TRADITION OF EXCELLENCE AND GROWTH FOR OVER 180 YEARS, BOUSTEAD CONTINUES TO STRIVE FOR EXCELLENCE TO BECOME THE PREFERRED CHOICE FOR CUSTOMERS, SHAREHOLDERS AND EMPLOYEES.



PLANTATION DIVISION

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



HEAVY INDUSTRIES DIVISION

With its main thrust in the marine sector, involving both commercial and naval vessels, this Division's operations include shipbuilding, fabrication of offshore structures as well as restoration and maintenance of vessels and defence related products.



PROPERTY DIVISION

The Group's increasingly popular residential, commercial and hotel projects reflect its active participation in the property sector.



A TRADITION OF EXCELLENCE

The cover features a house in the style of magnificent Minangkabau architecture which has existed for more than 350 years. The Minangkabau architecture is recognisable by its distinctive buffalo horn shaped roofs, symbolising strength and courage in overcoming challenges. These are clear characteristics that the Boustead Group has been adhering to over the last 180 years, more so in the last two decades. The soaring buffalo horn roof also reflects Boustead's proud heritage of continually pursuing excellence. Hence, this year's cover aptly encapsulates Boustead's motto: "A tradition of strength and stability, a vision of growth and excellence".

► OUR CORE BUSINESS



FINANCE & INVESTMENT DIVISION

The Group actively invests in the financial services sector via its many segments including commercial, investment and Islamic banking as well as insurance.



TRADING DIVISION

Besides owning Malaysia's only other national retail petroleum network, this Division also engages in warehousing, building materials, engineering and fast-moving consumer goods.



MANUFACTURING & SERVICES DIVISION

The Group's investments in top tier Malaysian brands cover a wide spectrum of sectors including building materials, paints, confectionary, pharmaceuticals, travel, shipping and education.



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1991 – 1995

This period marked the entry of Lembaga Tabung Angkatan Tentera resulting in the Fund acquiring a controlling stake in Boustead Holdings Berhad. The Group also acquired a 30% stake in Affin Holdings Berhad.

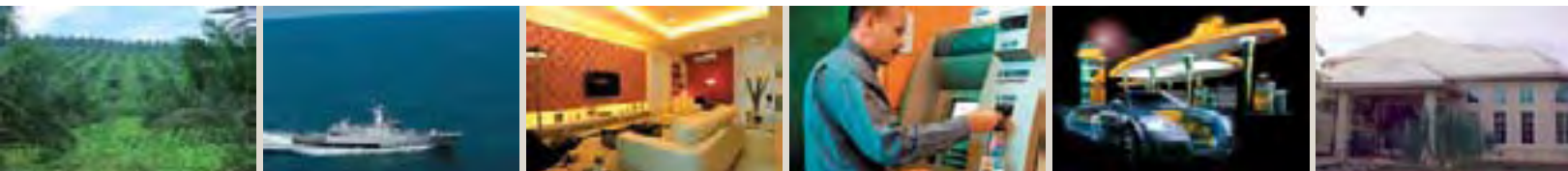


MLESTONES

2006 – 2010

Continuing with the Group's aggressive restructuring and acquisition trail, Boustead successfully relisted its marine business which became Boustead Heavy Industries Corporation Berhad while Boustead Naval Shipyard delivered on its contractual obligations. During this period, the Group conceptualised and floated Malaysia's first and only Islamic Plantation REIT known as the Al-Hadharah Boustead REIT. It also delisted Boustead Plantations Berhad and Boustead Properties Berhad and increased its stake in UAC Berhad. The proposed acquisition of Pharmaniaga Berhad commenced during this period.





1996 – 2000

The Group's involvement in property development began with Mutiara Rini followed by Mutiara Damansara which were actively launched and promoted during this period.

2001 – 2005

Significant developments took place with the opening of the University of Nottingham's first branch campus outside the United Kingdom. BP Malaysia was acquired which then became known as BH Petrol, followed by PSC-Naval Dockyard Sdn Bhd and PSC Industries Berhad.





Growth

*Our ability to seek business opportunities and
strengthen profitability sets us apart.*

Chairman's Statement



Dear Shareholder,

It is indeed heartening that our efforts to rise above global challenges and yet remain competitive have produced noteworthy results. Your Group has delivered a strong performance and is pleased to report a profit before tax of RM726 million.

I am glad to present you with our Annual Report for the year ended 31 December 2010.

ECONOMIC LANDSCAPE

The year saw the Malaysian Government setting in place the necessary measures in order to start the national transformation programme. The journey to economic transformation takes into account the New Economic Model in our efforts to become a developed and competitive economy.

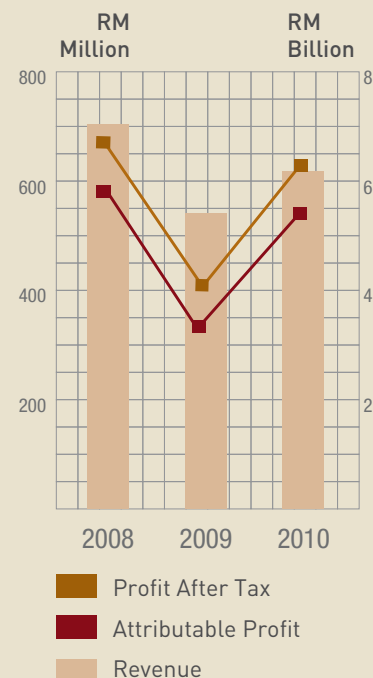
The first half of the year for the global economy proved to have endured the worst of the recession. The second half of the year remained lacklustre, given weak global trading coupled with a struggling Eurozone with its sovereign debt. As a result, Asia was put in a formidable leading position, as we experienced growth due to robust domestic demand.

The slowdown in the global economy was expected to have impacted growth in Asia but this was met by resilient emerging economies that were able to withstand economic pressure and still achieve a healthy level of growth against the odds. Fortunately in Malaysia, the effects were buffered by strong domestic demand that eventually led to all key sectors performing well.

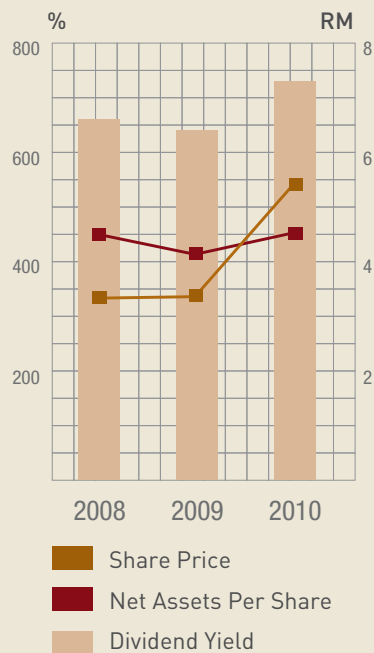
FINANCIAL PERFORMANCE

The Group has exceeded expectations, in line with its objective to surpass the previous year's performance. All Divisions have raised the bar in terms of performance and this has set the tone for earnings growth in the future.

We closed the year with a profit after tax of RM625 million compared with RM418 million in the previous year. Earnings per share improved to 58 sen (2009: 47 sen) while net assets per share was RM4.50 (2009: RM4.20). Shareholders' funds stood at RM4.2 billion for the year ended 31 December 2010 compared with RM3.8 billion in the previous year.



Chairman's Statement



DIVIDEND

Shareholder value is of paramount importance to the Group and this is clearly reflected in our commitment to deliver good payouts. For the financial year, the Group's dividend payout net of tax was 39 sen per share representing a 7.3% yield based on the closing price for the financial year. To date, dividends totalling 27 sen have been paid. The remaining 12 sen will be payable on 31 March 2011.

HUMAN CAPITAL

The Group is a strong believer of human talent development and is committed to the growth potential of its staff. The professional and personal excellence of our talent pool is indeed a priority for us, as we strongly believe that the engine of performance of an organisation is primarily driven by its people.

Professional development is a key focus of the Group as we strive to provide our employees with opportunities to better themselves

academically in the hope that they will be able to transfer essential academic experiences to their profession, thus creating more value for the Group as well as the individual.

OUTLOOK

We believe that our current strategies have produced the intended results and it is our hope that we will be able to enhance profitability in the coming financial year.

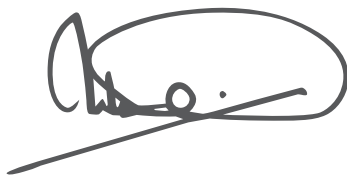
We also hope to contribute towards the growth of the economy in line with the Malaysian Government's Economic Transformation Program and the encompassing National Key Economic Areas.

ACKNOWLEDGEMENT

Our performance this year would not have been possible if not for the unrelenting dedication and hard work of our employees and management team who have made a significant difference to the Group. I would also like to extend my gratitude to the Board of Directors for their commitment and wisdom that proved fundamental in steering the organisation towards success.

It is crucial that a Group of our nature and size has a strong and supportive majority shareholder who will not only provide direction but more importantly be part of our journey to achieve our goals. On this note, our gratitude to Lembaga Tabung Angkatan Tentera for their unwavering support during the year.

To our other shareholders, my sincere gratitude for your firm belief in us and to all our financiers, business partners, consultants and relevant approving authorities, my heartfelt thanks for working alongside with us in order to reach common objectives.



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

Chairman
7 March 2011

Chief Executive's Review



Dear Shareholder,

It has been an excellent year for the Group as we surpassed expectations. Our constant drive for excellence and unwavering commitment to the means rather than the end has indeed brought to fruition the objectives and strategies that were set in place across all Divisions.



PROFIT BEFORE TAX

RM726_{mil}

TOTAL ASSETS

RM9_{bil}

REVENUE

RM6.2_{bil}

HUMAN CAPITAL

13,804_{employees}

In the face of a recovering economic landscape that only served to reinforce our strength as a diversified Group, the Divisions remain focused on several areas of importance, namely:

- To raise the bar in delivering products and services that are of international standards.
- To always keep a keen focus on strengthening shareholder value, as demonstrated by our commitment of consistent dividend payouts.
- To maximise our earnings track record be it organically or inorganically.
- To grow our talent pool and improve our organisational structure.

With these strategies in place, we are confident that the Group will be a key contributor to the Malaysian economy via its varied businesses.

FINANCIAL PERFORMANCE

It gives me pleasure to report that for the year under review, we have registered significant profits, be it before or after tax. The profits achieved this year are the second highest recorded in our history. To reinforce this point, profit before tax grew by 45% and profit after tax was up by 49% on a year-on-year basis.

We recorded a profit before tax of RM726 million (2009: RM502 million) on the back of turnover of RM6.2 billion (2009: RM5.4 billion). Improving our turnover is imperative as this would have a knock-on effect on our bottom line, more so as we manage our operating cost efficiently. Our investment portfolio and key business operations spread across pertinent sectors of the Malaysian economy indeed provide investors and shareholders with the opportunity of benefiting from multiple sources of earnings which are consolidated at Group level. Like Malaysia, our diversity is our strength and clearly we are an ideal representation of 1Malaysia.

Chief Executive's Review

The key performance indicators for Government Linked Companies were also achieved as reflected in the following table:

KPI	Actual	Target
Return on Equity	13%	10%
Return on Asset	9%	7%
Dividend	39 sen	18 sen

Of significant importance is the fact that during the financial year we delivered strongly on enhancing shareholder value. Several primary factors stood out:

- There has been consistent payout of dividends for every quarter of the financial year.
- Our total dividend payout ratios over the last three financial years have been on an increasing trend which mirror our commitment in providing more value to our shareholders.

Financial Year	Dividend Payout Ratio
2010	68%
2009	54%
2008	25%

- Our dividend yield on a year-on-year basis has also improved on the back of capital appreciation of our share price.

Reflecting on these significant facts, the dividend of 39 sen over last year's dividend of 22 sen should be a compelling factor for potential investors and our current discerning shareholders to appreciate the fact that the Boustead

Group will not waver from its commitment of continuing with this track record.

Over the years, we have improved on our dividend yields and payout ratios without having to commit to a future payout ratio. I am glad to report commencing financial year 2011, we will be introducing a Dividend Policy.

The new minimum payout ratio of 70% of our audited consolidated net profit in each calendar year takes into account appropriate adjustments for non cash flow items such as our share of profits retained by our associated companies and unrealised income which may arise from fair value adjustments. Details of this policy are available on page 217 of this Report.

As an investment holding company, it is crucial that shareholders benefit from our wide spectrum of investments. This would be a defensive mechanism against any particular sector of business that may be affected due to the vagaries of the market and economic conditions. Having sources of income from multiple business streams has given us the opportunity to consolidate earnings at Group level and by virtue of that, deliver handsome dividends consistently.

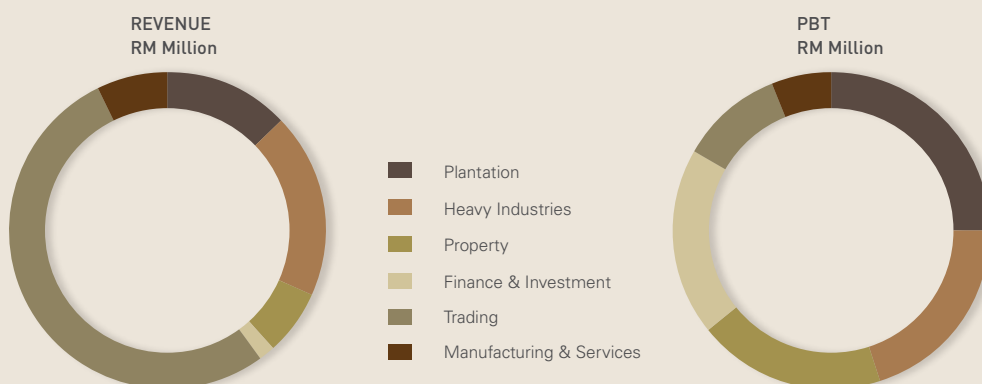
Our gearing ratio of 0.75 times, has seen a further improvement from the previous financial year of 0.78 times. As with any conglomerate of our nature, a healthy level of debt against equity and shareholder funds is justified and necessary in order for us to develop new business opportunities.

In line with disclosure requirements, the Group has adopted the Financial Reporting Standard (FRS) 139 Financial Instruments: Recognition and Measurement that requires the Group to consider the designation of financial assets and financial liabilities as well as the recognition of various derivative instruments. We have also complied with various other FRS practices and being ever mindful of the fact that the financial reporting landscape is constantly evolving, we will need to rise to the challenge in order to provide more transparent reporting and disclosure for the benefit of our shareholders.

Our Divisions have made us proud this year and it is testament to the fact that at Group level we are constantly pursuing excellence to ensure that the respective bottom line of each Division remains healthy.

The Plantation Division has led in delivering results for this year, due primarily to crude palm oil prices. Market conditions have been favourable and compounded with thinning stock levels and adverse weather conditions, the Group's interest in the plantation sector has indeed been a solid pillar of contribution over the many years and in particular this year.

Our Finance & Investment Division outperformed its previous year registering impressive growth in profits. This was attributed to increased earnings across all business segments of Affin Holdings Berhad. The nature of this financial services group allows us to participate in the banking and finance sector of Malaysia via our equity in the Affin Group and clearly this sector has performed well during the year under review. The Division also made a significant contribution to the Group's bottom line as a result of the disposal of BH Insurance. We registered handsome gains with a positive cash flow in excess of RM360 million while realising a net profit of RM75 million in our books. With this disposal, our investment in the general insurance segment via the Affin Group has grown.



Chief Executive's Review

The Heavy Industries Division's performance has been commendable as it continued to maintain consistency in the wake of a struggling industry that suffered due to market conditions. The Division's achievement in having delivered six patrol vessels is commendable.

We have stamped a credible and successful mark in the property scene in Malaysia with two significant signature developments to our credit. Mutiara Damansara in particular enjoys strong appreciation levels and the launch of our condominiums during the year was successfully taken up.

the Curve has been a success with millions of patrons visiting this suburban lifestyle mall during the year. Of importance is the fact that our tenant mix is evolving to attract only strong and established brands. Our Royale chain of hotels have done very well too with improved occupancy rates in light of increased tourist arrivals and improved domestic tourism.

It is encouraging to note that the Trading and Manufacturing & Services Divisions have performed well, with most brands and businesses under these Divisions performing satisfactorily accompanied by a few that have outperformed our expectations. Of significant mention would be Boustead Petroleum Marketing Sdn Bhd and Idaman Pharma Manufacturing Sdn Bhd.

CORPORATE INITIATIVES

We are in a strong position as organic growth is picking up pace on an accelerated momentum. We are also focusing on inorganic growth as we must provide our shareholders with the prospect of benefiting from new business opportunities.

The Group has aggressively executed its expansion and acquisition objectives in its quest to deliver results in the financial years ahead. Our view is to expand and develop our key strengths in the ever changing face of competition and market dynamics.

During the year, a series of strategic acquisitions were undertaken including a 51% stake in Atlas Hall Sdn Bhd, a company involved in the oil and gas sector. We are in the process of acquiring MHS Aviation Berhad for a cash consideration of RM100 million. This company is a leading provider of helicopter transport services, emergency medical services as well as search and rescue for Malaysia's oil and gas industry.

The highlight for the year is the proposed acquisition of Malaysia's largest pharmaceutical group, Pharmaniaga Berhad. This acquisition will be in excess of RM530 million and places us on a stronger footing to further build our pharmaceutical business.





To undertake these acquisitions, the Group completed a bank guaranteed medium term notes programme for RM1 billion which was assigned a long term rating of AAA. Of this RM1 billion, RM600 million has already been earmarked to fund our acquisitions and to pare down borrowings while the remaining RM400 million will be our war chest to acquire new businesses, be it organically or inorganically.

OUTLOOK

Boustead has always maintained a prudent management philosophy and we will not overexpose our balance sheet to unnecessary and imprudent acquisitions. On this premise, we have on the drawing board several potential key prospects that should materialise in the coming financial year which will be in line with our ongoing business strategy.

Chief Executive's Review



Organically, we look forward to the Heavy Industries Division commencing construction on the six new patrol vessels. The prospects in the commercial marine sector hold much potential particularly as we undertake the completion of the Fast Interceptor Crafts.

We are confident commodity prices will hold strong and even surpass current levels. However, we are cautious that weather conditions and labour shortages will have an impact on productivity and yields. In the coming financial year, we expect to gain from the disposal of two plantation assets which will benefit our balance sheet in terms of reduction in gearing and freeing up our cash flow.

The Government in its Economic Transformation Programme has identified the Greater Kuala Lumpur and Klang Valley as a National Key Economic Area and is hoping to increase Kuala Lumpur's attractiveness and connectivity to rival international standards.

Given the Group's track record in the property sector, it would be an obvious progression that we vie for the opportunity to add value to key available land bank in the Klang Valley where we hope to extend our success of Mutiara Damansara and our other developments. The appreciation in value of our investment properties is a reflection of our stable of prime properties. The Division acquired a sea front parcel of land in Cherating, Kuantan that will be developed into a 90-room resort as part of our Royale chain of hotels.

The Finance & Investment Division will seek to build on the upside of the Affin Group's domestic performance as well as its foray into the region by virtue of its acquisition of Bank Ina in Indonesia. Measures have been taken to improve the state of its non-performing loans as a means of fortifying its position in the local banking landscape.

We expect to see more exciting developments in this Division as it has already set the momentum in order to build on organic growth that will be instrumental in moving this financial services group to the next level.

Boustead has always been focused on improving its systems and structure as we need to look ahead with an eye on improving shareholder value.

For the new financial year, the Group's business activities in the varied sectors of the Malaysian economy will be restructured as we are confident this will bring greater alignment of our core activities. These Divisions are:

- Plantation
- Heavy Industries
- Property
- Finance & Investment
- Pharmaceutical
- Manufacturing & Trading

It is my sincere hope that as a shareholder and investor in Boustead Holdings Berhad, you have a renewed sense of optimism that your Group is aiming high to deliver shareholder value.

We have elaborated on the highlights of each Division during the year in the following pages and we hope you will find our efforts and endeavours noteworthy. The Boustead vision of growth and excellence will be our guiding principle in moving to greater heights and even greater achievements.



**TAN SRI DATO' LODIN WOK
KAMARUDDIN**

Deputy Chairman/Group Managing
Director
7 March 2011



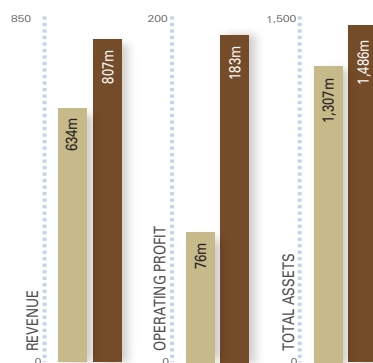
profit
RM183_{mil}
compared with RM76 million a year ago



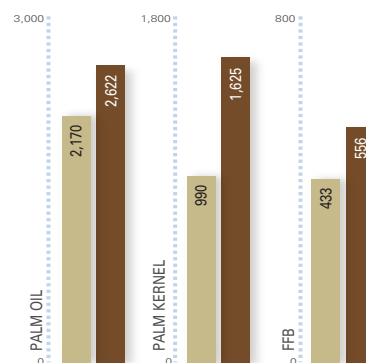
PLANTATION DIVISION

It has been an exceptionally good year for this Division as we have performed far better compared with the previous financial year. The Division recorded a stronger profit of RM183 million reflecting a 141% increase over last year. Clearly, the driving force in delivering enhanced profitability to the Division's bottom line was healthy commodity prices. We registered an average net CPO price of RM2,622 per metric tonne (MT), a 21% increase compared with RM2,170 per MT in 2009. Palm kernel price rose sharply to RM1,625 per MT in 2010 from RM990 a year ago.

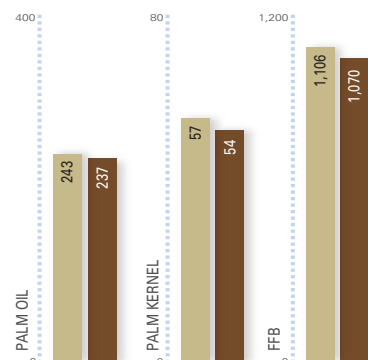
FINANCIAL HIGHLIGHTS (RM' MILLION)



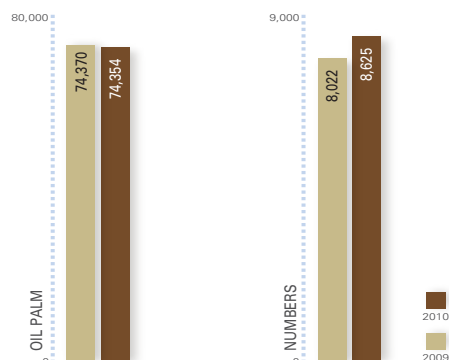
AVERAGE PRICES (RM per MT)



PRODUCTION ('000 MT)



PLANTED AREA (Ha) EMPLOYEES



Plantation Division

MARKET REVIEW

As you would recall, 2009 ended with dampening CPO prices. However, this financial year started positively as CPO prices kicked off at RM2,675 per MT. With the uncertain world economy, prices had dropped steadily to RM2,390 by July. Conversely, due to a surging uptrend driven by the diminishing threat of an American economic double-dip recession and buoyed by the growth of Asia and Latin America, CPO prices rallied to RM2,740 in September. The rally gathered momentum as prices ended the year at RM3,750, a strong 57% increase from the July low.

One of the key factors that had an impact on prices was extreme weather patterns. El Nino brought an adverse dry weather phenomenon which caused a decline in production in the second quarter of the financial year. Close on its heel was La Nina which brought about higher-than-normal rainfall which disrupted harvesting and fruit evacuation.

These back-to-back transition on weather conditions resulted in a drastic drop in output which then had an immediate effect on CPO prices. Another factor which impacted prices was the acute labour shortage suffered by the sector.

ESTATES AND MILLS

The Group's total land bank was 97,648 hectares (ha) of which 74,354 ha were under oil palm cultivation and the remainder unplanted. A total of 16,390 ha are presently held under the Al-Hadharah Boustead REIT, whilst 28,928

ha are held by Golden Crop Returns Berhad, a special purpose vehicle for the Asset Backed Securitisation programme undertaken a few years ago. The remaining hectareage are held directly by the Division.

Total mature and immature areas were 67,631 ha and 6,723 ha respectively. The prime mature area of 61,323 ha saw a marginal reduction of 913 ha from the previous year's 62,236 ha. Fresh fruit bunches (FFB) production for the year was 1,070,455 MT compared with last year's production of 1,106,371 MT.

Both the El Nino and La Nina weather conditions had impacted yield patterns and consequently caused a setback to FFB production. Additionally, production was also affected by the shortfall of harvesters particularly in the tall palm areas in Sabah. FFB production cost was RM238 per MT compared with RM239 per MT last year.

Committed to raising the bar, our ongoing precision farming technique, which is the BAARMIS Map Management System using GIS/GPS technology, has improved management of field upkeep and yield gaps.

In mitigating labour shortage issues, we have continued with ongoing efforts towards mechanisation of field upkeep and crop harvesting. The introduction of Cantas mechanical harvesting tool developed by the Malaysian Palm Oil Board which is utilised in some of our estates has demonstrated that it is capable of reducing harvester requirements and increasing labour productivity especially in medium height oil palms of up to 4.5 metres.





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1. Rimba Nilai mill in Sabah
2. Selecting the best fruits
3. & 4. Nurseries at estates

Plantation Division

In meeting market demand for certified sustainable palm oil, we are in the process of obtaining Roundtable on Sustainable Palm Oil (RSPO) certification. Our commitment towards the RSPO is further elaborated in the Corporate Social Responsibility (CSR) section of this Report.

Our 11 mills with a total milling capacity of 415 MT per hour, processed a throughput of 1,156,000 MT of FFB (2009: 1,203,000 MT). Extraction rates have improved in line with our Continuous Crop Quality Improvement Programme and through the upgrading of machinery as well as the installation of key standby machinery in the mills. To further improve milling performance and energy efficiency, four mills have been installed with new boilers and turbines. This has resulted in our average oil extraction rates improving to 20.5% compared with last year's 20.2%. Our kernel extraction rate of 4.7% was consistent with last year's achievement.

During the year, the Group Engineering Department also provided external consultancy services to two client mills for the upgrading of sterilising stations with indexer systems. The Telok Sengat Mill is also undergoing the second phase of upgrading and is expected to be completed in 2011.



RESEARCH AND DEVELOPMENT

We are committed towards oil palm research and development (R&D) through our associate company, Applied Agricultural Resources Sdn Bhd (AAR).

Our commercial planting of clonal oil palms using AA Vitroa I (tissue cultured ramets) mixed with AA Hybrida I materials as well as selected compact AA Hybrida I materials for higher density planting at 160 palms per ha, are efforts made towards achieving significant improvements in both FFB crop and oil yield per hectare.

These initiatives have the potential to produce an estimated 22% oil yield advantage or more compared with seed planting materials from the previous generation of AAR planting materials. Due to such strong research results, a new seed production unit in Sabah was set up to produce semi-clonal AA Hybrida I seed planting materials with an eventual capacity of five million seeds.

Apart from receiving ISO 9001:2008 certification for the AAR tissue culture laboratory, we are also pleased that the AAR-UNMC Biotechnology Centre was awarded Outstanding Internship Employer by INTI University College for providing excellent training to students during their internship.

OUTLOOK

Boustead will pursue mechanisation of the estate operations to reduce labour requirements and enhance productivity. With this in mind, we are looking into the introduction of crawler-type farm tractors to evacuate FFB particularly from peat areas. We will also consider extending utilisation of the Cantas mechanical harvesting tool to all estates in 2011 when further refinements to this tool are completed.

We expect edible oil prices to climb as growth in worldwide supply fails to keep pace with the rise in demand, more so with weather patterns hurting crops. This scenario will help Malaysia take advantage of higher demand for edible oil from China and India. Low stocks and increased demand may again push palm oil to the 2008 record of above RM4,000. We also expect crude oil prices to temporarily exceed \$100 per barrel in 2011 which will also benefit palm oil as a biodiesel feed stock.

Prospects for CPO should remain stable, although there is potential for the price to rise in line with rising crude oil prices. We believe that the increase in the Indonesian export tax in order to ensure domestic cooking oil supplies, has made Malaysian CPO attractive and competitive to the global market. One risk would be the possibility of a large sovereign default in Europe which could create an unexpected shift to risk aversion and have a knock-on effect on commodity prices.

Moreover, adverse weather situations have affected competing soy oil output from Argentina and corn oil in the USA, which in turn places palm oil in an advantageous market position. While we expect prices to normalise in the second half of 2011, we still expect prices to be relatively well supported and volatility to be high as stocks are low.





profit
RM146_{mil}
compared with RM145 million a year ago

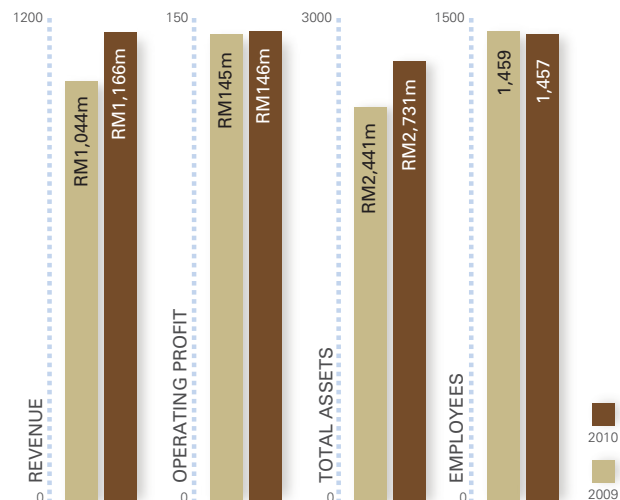


HEAVY INDUSTRIES DIVISION

The Division was impacted by a struggling maritime sector as a result of dampened demand due to the global economic climate.

Nonetheless, it registered a profit of RM146 million (2009: RM145 million). The key business drivers were Boustead Naval Shipyard Sdn Bhd which generated a profit contribution of RM104 million against the previous year's RM106 million, while Boustead Heavy Industries Corporation Berhad excluding its associate company, delivered a profit contribution of RM73 million, compared with RM64 million in the previous financial year.

FINANCIAL HIGHLIGHTS



Heavy Industries Division



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- 1. *Chulan 1, the new chemical tanker at Jerejak yard*
- 2. *KD TUN ABDUL RAZAK*
- 3. *Ship repair activities at Langkawi yard*
- 4. *Fast Interceptor Craft*

The Division is primarily involved in shipbuilding and fabrication of offshore structures, as well as repair and maintenance of vessels and defence related products.

SHIPBUILDING – NAVAL

This segment of our business has indeed had a fruitful year, and with the delivery of the final patrol vessel KD SELANGOR, we have made significant progress as all six patrol vessels (PV) have now been completed and handed over to the Royal Malaysian Navy (RMN).

The vast knowledge gained from the construction of the first six PVs has placed us in a strong position, both in Malaysia and in the region. With the Letter of Intent from the Ministry of Defence, we look forward to plan, design, and kick-off the construction of the second generation of PVs. We welcome the challenge that the second generation PVs, being full combatant ships, will require more advanced and complex weapon systems. Further to this, the level of local content is expected to be higher compared with the first batch and we look forward to driving the transfer of technology (ToT), in line with the Government's aspirations under the New Economic Model which calls for industries to move up the value chain.



SHIPBUILDING – COMMERCIAL

At the Jerejak yard, Pulau Pinang, two chemical tankers were successfully completed and have concluded sea trial tests. Being double-hulled, these tankers can sail into most international ports, thus increasing the value of the vessels on a longer term basis. The second project is the construction of two Anchor Handling Tug Supply (AHTS) vessels. Both AHTS are scheduled to be handed over to our client in 2011. Additionally, we are in the midst of constructing two accommodation crane barges.

In our ongoing partnership with Yonca-Onuk Savunma Sanayii A.S., the Division secured a contract to construct ten units of Fast Interceptor Crafts (FIC). The construction of these units are underway and this partnership is a further opportunity to strengthen our ToT prospects between Turkey and Malaysia.

Heavy Industries Division

MAINTENANCE AND SUPPORT SERVICES

In order to meet the demand for quality support services in the maritime sector, the Division provides integrated solutions in ship repair and maintenance, including In-Service Support (ISS), refit, supply of spares, and warranty management for naval ships. We are dedicated to the efficient delivery of the ISS and the targeted technical availability of submarines. At the Lumut yard, we are pleased to report that the RM704 million Service Life Extension project for the RMN has commenced. In Kota Kinabalu, the ISS programme for submarines has also begun, valued at approximately RM1.3 billion which will stretch until 2015. The crucial element of this part of our business is the valuable ToT experience which we will gain from our French partner DCNS S.A.

Contributing to the expansion of our business opportunities, a strategic partnership was formed with MTU Services (Malaysia) Sdn Bhd. The joint venture company will capitalise on its competitive advantage while offering services in maintenance and overhaul of diesel engines and diesel generators.

WEAPONRY & ELECTRONICS

Our weaponry and electronics business has also delivered positively during the year, with numerous ongoing maintenance projects. Our workshops in Lumut, Kuantan, and Kota Kinabalu provide a full range of services for the varied needs of our clientele. We acquired a 51% stake in Contraves Advanced Devices Sdn Bhd, a company with a 25-year track record in the manufacturing of electronic

products. This initiative is expected to support the growth of our high-tech products in Malaysia and open a window of opportunity for export potential.

OIL & GAS FABRICATION

The Division is encouraged by the Government's execution of the ETP as it upholds the growth of new resources and stimulates domestic exploration activities in the oil and gas sector. This sector holds much potential as it will be a cornerstone to drive Malaysia's GDP in the coming years. Numerous projects have been earmarked for long-term contribution to the nation's economic growth. We remain confident given our track record and capabilities that there will be new opportunities for us in this area.

OUTLOOK

The Group is well positioned in the maritime sector, premised by our technological know-how and our track record. We are eager to commence work on the new PVs, and our Jerejak yard is moving forward with new projects. In addition, the construction of six units of FIC will be commencing in our Langkawi yard by our joint venture company BYO Marine Sdn Bhd.

As one of the primary solution providers in the nation for the maintenance of navy vessels, this should enable us to tap more business opportunities. Internally, business processes are constantly being improved through benchmarking our practices against those of other industry players.





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1. Forward view of a patrol vessel
2. KD HANG TUAH undergoing its refit
3. Commissioning ceremony of KD SELANGOR
4. Construction of accommodation barge in progress at the Jerejak yard



profit
RM139_{mil}
 compared with RM106 million a year ago

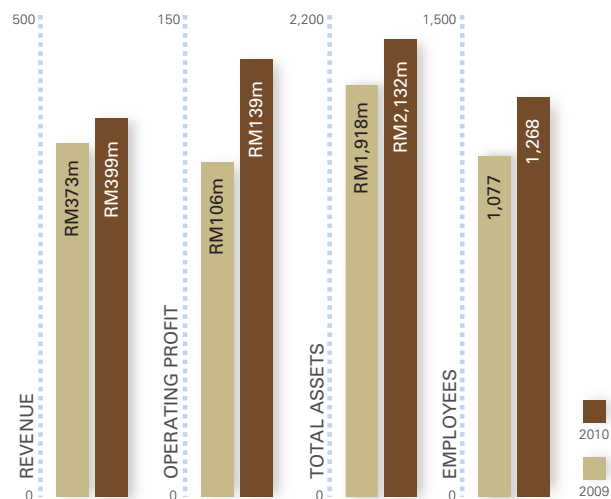


PROPERTY DIVISION

The Malaysian property sector performed well in 2010 with most players, including the Group's Property Division, launching higher end properties in light of improved economic conditions in the region.

The Property Division's performance in 2010 improved, registering a profit of RM139 million compared with RM106 million last year.

FINANCIAL HIGHLIGHTS



Property Division

PROPERTY DEVELOPMENT

Our townships in Mutiara Damansara, Selangor and Taman Mutiara Rini, Johor continue to draw purchasers with every launch and registered a profit of RM57 million for the year.

In Mutiara Damansara, the launch of 311 units of condominiums at *Surian Residences* was the highlight for the year. This high-end development is strategically located with easy access to major highways and just minutes away from shopping, dining and entertainment outlets. Take-up was swift with 85% of the units sold on the day of the launch. Remaining units are Bumiputra allocated and are expected to be fully taken up before the completion of the condominiums in early 2013. The Mutiara Damansara township received an award from the Malaysian Institute of Planners in December 2010 for Planning Services.

Down south in Johor, Taman Mutiara Rini continues to be a favourite amongst Johoreans working in Singapore and the matured township has also attracted several hypermarket and fast food retailers to its commercial precinct. Double storey terrace houses are in good demand and the Division launched 581 units of landed properties in 2010.



In the Klang Valley, we are confident that Mutiara Hills in Semenyih, which is adjacent to The University of Nottingham Malaysia Campus, will attract discerning investors and home owners once the landed residential units are launched in 2012. Already, the 33 homestead lots launched last year are receiving positive response from the market.

PROPERTY INVESTMENT

Our investment properties, which comprise office buildings in the Golden Triangle of Kuala Lumpur, shopping malls, high-end condominiums, warehouses and landed residential properties have appreciated in value and are mostly fully occupied. Value enhancement activities such as regular refurbishments, upgrades in finishings and physical extension work coupled with maintaining high levels of service and efficiency of these properties have kept our investment properties in good demand.

As we enter our seventh year of operations at the Curve, we see it evolving with an improved tenant mix. Stronger retail and food and beverage players have taken over the locations of weaker retailers with each renewal of tenancy. An increasing number of international brands are now found at the Curve and amongst these are Bumbu Desa, an Indonesian restaurant, Rockport, an American shoe retailer and Cache Cache, a French fashion retailer.



1. *Super link houses at Mutiara Damansara*
2. *Mutiara Hills in Semenyih*
3. *Mutiara Rini Johor*
4. *The launch of Surian Residences*

Property Division



1. The link bridge connecting Surian Tower and e@Curve
2. Fashion Week at the Curve
3. New Year countdown at the Curve
4. Celebrating festivals at the Curve

Shopper traffic to the Curve has improved and was in the region of 22 million in 2010, despite the opening of several new shopping centres in the Klang Valley. Our annual events such as the CIMB Malaysian Open Squash Finals, BH Petrol Orange Run, Fashion Week and The New Year Countdown Street Party are much anticipated events, and are organised with corporate social responsibility content within these events.

The re-branding of e@Curve with a strong emphasis on entertainment is ongoing and connectivity to the Curve and Surian Tower has been enhanced with the completion of the two covered link bridges. Restaurants and kiosks will be located on these link bridges creating seamless shopping opportunities from Surian Tower to the Curve, with e@Curve being the centre point of the Mutiara Damansara Commercial Centre.

During the year, the Group acquired the remaining equity in Boustead Linear Corporation Sdn Bhd from the Linear Group and renamed the company, Boustead DCP Sdn Bhd. This fully owned subsidiary supplies chilled water for air conditioning to the Curve, e@Curve, Royale Bintang Curve Hotel and the soon to be completed Curve NX car park building.

HOTEL

Our hotels' performance in 2010 improved with higher occupancies and average room rates boosted by improved economic conditions regionally. Tourist arrivals in Malaysia in 2010 increased to 25 million, an estimated 8% increase from 2009.

The 4-star Royale Bintang Kuala Lumpur located in Jalan Bukit Bintang, Royale Bintang Curve located at the Curve in Mutiara Damansara and the Royale Bintang Resort and Spa in Seremban are well patronised and located in key tourist areas.

Under construction and expected to be completed in 2011 is the 300-room 4-star Royale Bintang Damansara Hotel located between Surian Tower and e@Curve in Mutiara Damansara. This hotel is expected to take up the excess demand for hotel rooms which the present Royale Bintang Curve is not able to cater for.

The 5-star 400-room Royale Chulan Hotel located in the tourist belt of downtown Kuala Lumpur, which is managed by the Division, recorded improved occupancies and played host venue to the First Ladies Summit, Miss Malaysia/ Universe pageant and the Prime Minister's Innovation Awards ceremony. Its L'Heritage Restaurant won the Restaurant for Best Fine Dining for 2010/2011 from Chaine des Rotisseurs (International Gastronomic Society).



Property Division

Our 4-star Royale Bintang Penang, located at Weld Quay is targeted for completion by 2013 and will feature a heritage façade.

The acquisition of a 7-acre sea front parcel of land in Cherating Kuantan, next to the Club Med Resort was completed during the year. The property was acquired together with a 4-room villa and will be developed into a 90-room resort hotel under the Royale brand.

OUTLOOK

We look forward to the completion in 2011 of Curve NX and the Royale Bintang Damansara Hotel, both of which are located in Mutiara Damansara.

The Curve NX will increase the number of car parks in the Mutiara Damansara Commercial Centre by another 700 bays and at the same time house KidZania, a 80,000 sq. ft. indoor children's theme park on the fifth and sixth floors. It will also house McDonalds' new Drive-Thru restaurant on the ground level.

The Royale Bintang Damansara Hotel when open at the end of 2011 will have a 1,000 seating capacity conference hall and an indoor ice-skating rink.

We welcome the Government's initiative to improve connectivity in the form of a mass rapid transportation system, which we believe will benefit Mutiara Damansara and increase shopper traffic to this part of the Klang Valley. The property sector will be a key area of focus with plans for a Greater KL/Klang Valley region, and regional connectivity via this transportation system.

We are constantly on the lookout for strategic land bank and look forward to participating in the Government's development plans to transform the Greater Kuala Lumpur and Klang Valley into a world class metropolis.

The Government has commenced initiatives in the form of stamp duty exemptions and down payment guarantees to ensure that all Malaysians can afford to own a home by 2020. This will augur well for our future launches.





1. *Royale Bintang Villa Cherating, Pahang*
2. *L'Heritage Restaurant at Royale Chulan Kuala Lumpur*
3. *Curve NX under construction*
4. *Link bridge from the Curve to e@Curve*



profit
RM138_{mil}
compared with RM95 million a year ago



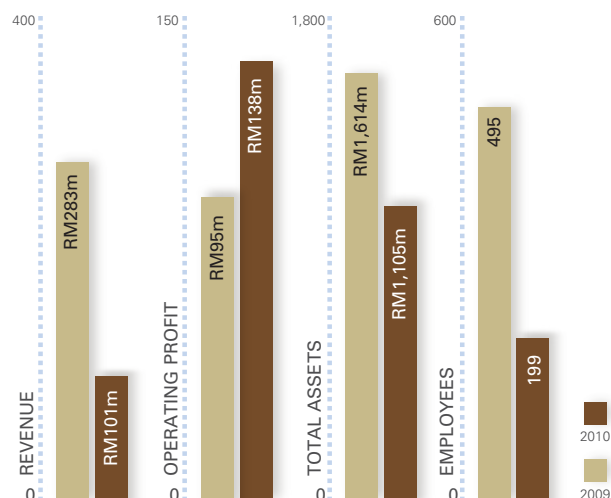


FINANCE & INVESTMENT DIVISION

This Division delivered double-digit growth registering a profit of RM138 million, a 45% increase over last year's RM95 million. The key contributing factors were Affin Holdings Berhad's improved earnings and the successful disposal of BH Insurance.

Affin Holdings Berhad's (Affin Group) contribution to the Group was an impressive 19% rise amounting to RM96 million compared with RM81 million in 2009. This financial services group performed well registering a profit before tax of RM638 million, a notable increase of 28% over the previous financial year.

FINANCIAL HIGHLIGHTS



Finance & Investment Division



1. Sealing the deal, at the MTN Programme signing ceremony
2. Signing ceremony for Islamic Term Financing Facility
3. Personal banking
4. Affin Bank at Bursa Malaysia's KL Rat Race

Affin Bank Berhad delivered a profit before tax of RM522 million outpacing its profit of RM425 million a year ago. The Bank's positive results were due to a decline in loan provisions and impairment charges coupled with growth in operating income. This was underpinned by continued expansion in net interest, Islamic banking and non-interest income. These improvements were also due to increases in the overnight policy rate.

The Bank experienced strong loan growth of 17.7% exceeding the sector's average by 5.6%. Key areas were the hire purchase segment, residential and non-residential mortgages as well as working capital loans. Importantly, to complement this strong loan growth, asset quality continued to improve with a gross impaired loan ratio of 3.6%. The core capital ratio and risk-weighted capital ratio were 12.1% and 12.4% respectively. Notably, deposits saw a healthy 19% growth beating the sector's average by 13.2%. The Bank introduced innovative products such as AffinFDPLUS² and the very successful savings campaign known as O.M.G. (Oh My Gosh!).

Affin Islamic Bank Berhad registered a reduced profit. Nevertheless, prospects remain positive with the increase in branch network and its venture into Indonesia.

Affin Investment Bank Berhad (AIBB) registered an impressive 35% increase in profit before tax of RM87 million, compared with RM64 million last year. Net income was also higher at RM181 million, compared with RM159 million recorded a year earlier. Positive contribution from brokerage fee, investment and interest income resulted in the 14% improvement. Net impaired loan ratio was well below industry average at 1.44% and loan loss coverage was a respectable 103.2%.

AIBB created history with the inaugural Danajamin Nasional Berhad guaranteed private debt securities issue. It also launched an electronic cross border trading platform thereby enabling access to trade and invest in major markets globally. Its subsidiary, Affin Fund Management Berhad, successfully launched a new fund, Affin Tactical Fund, with an asset size of RM200 million that brought the total number of unit trust funds managed to eight.

Finance & Investment Division

AXA AFFIN Life Insurance Berhad ended the year on a strong note by recording a gross premium of RM271 million, a notable 52% increase compared with last year's RM178 million. Gross new premiums improved by 53% to RM247 million. During the year the agency force grew by 184% while Bancassurance, another distribution platform, posted strong results with an impressive 83% growth in new business premiums.

AXA AFFIN General Insurance Berhad (AAGIB) marked a significant milestone during the year by successfully merging with BH Insurance (Malaysia) Berhad. Resulting from this merger, AAGIB's distribution network has expanded nationwide.

The agency force now consists of nearly 3,000 agents and 20 offices spread across Malaysia and the combined turnover of the enlarged entity places AAGIB as one of the leading general insurers in the country. For the financial year, this business posted a profit before tax of RM43 million on the back of a gross written revenue of RM593 million.

As a result of stringent loan processing, **Boustead Credit Sdn Bhd** saw a decline in turnover which resulted in a lower profit.



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1. YABhg Datin Paduka Seri Rosmah Mansor witnessing the launch of AXA AFFIN My Child Safety Programme
2. Affin Bank supports Malaysian Banking Summit 2010
3. MOU between Banca Takaful Berhad and Affin Islamic Bank Berhad
4. Affin Investment Bank celebrated its 40th Anniversary



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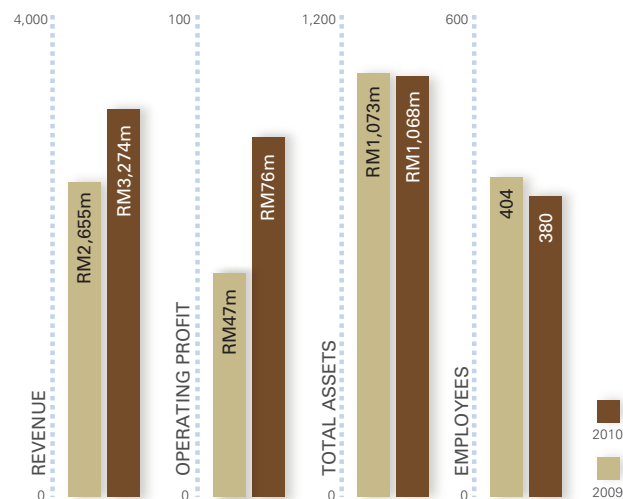
profit
RM76_{mil}
 compared with RM47 million a year ago



TRADING DIVISION

The diversified nature of the Boustead Group has strong value propositions for investors given that it opens channels of growth from multiple economic segments. To demonstrate this point, the year saw a jump in profit of RM76 million for the Trading Division, marking a notable increase from last year's RM47 million. All the operating units in the Division performed well, with Boustead Petroleum Marketing Sdn Bhd leading the way.

FINANCIAL HIGHLIGHTS



Trading Division

Boustead Petroleum Marketing Sdn Bhd (BH Petrol) recorded a profit of RM87 million, an increase of over 30% compared with the prior year. Key contributing factors included an increase in sales volume and improving margins due to robust management of operating cost along with improved operational efficiencies.

The brand made significant headway in its market segment with a focus on product leadership due to the launch of Infiniti Advanced2x 95 and 97, which is an enhancement of RON95 and RON97 fuels. These fuels offer superior performance as a result of the new double dose of additives. A new state-of-the-art service station was launched in Johor along the North South Highway to cater to increasing traffic volume along this busy expressway. As Malaysia's only other home grown retail petroleum network, we are reinforcing our presence and expanding our retail network via strategic and effective marketing initiatives.

Boustead Engineering Sdn Bhd reported a good year with the completion of its final work on the inline-screening baggage handling system at the Low Cost Carrier Terminal. However, due to stiff competition and a contraction in spending by customers, its chemical segment suffered a drop in sales accompanied by a drop in revenue for its engineering products.



Kao (Malaysia) Sdn Bhd performed well even with cautious consumers who were more prudent with their everyday personal care purchases. A series of new products were introduced in order to maintain our market position and in many categories, the brand was able to sustain a strong position. The year under review saw the company making a commendable contribution to the Group's bottom line as profits were doubled compared with last year.

Boustead Global Trade Network Sdn Bhd has reviewed its business strategies and operations and will begin closure of its warehousing and logistics operations in the new financial year. The company will now focus on the insurance agency business.

Boustead Building Materials Sdn Bhd posted a higher profit compared with the previous year due to increased revenue from projects and improved turnover from the trade of building materials. Several projects will continue to operate in the next financial year hence ensuring a steady growth in revenue.

Drew Ameroid (Malaysia) Sdn Bhd performed well, registering a growth in turnover of 13% with a healthy gross profit contribution as well. The company is geared for growth and better profitability by leveraging on its edge in latest technology while providing high quality services and products.



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1. *Royale Bintang Damansara under construction*
2. *The launching of BH Petrol's Infiniti Advanced2x 95 and 97*
3. *Earthworks by Boustead Building Materials at a construction project*
4. *BH Petrol state-of-the-art Pagoh Selatan service station*



profit
RM44_{mil}
compared with RM32 million a year ago



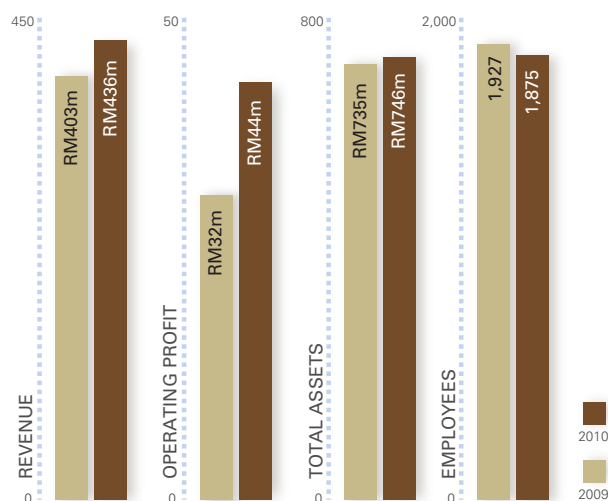
MANUFACTURING & SERVICES DIVISION

During the year under review, the Division made a positive contribution to the Group's bottom line delivering a profit of RM44 million compared with RM32 million in 2009.

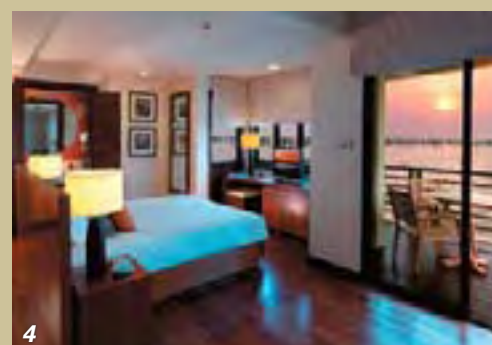
MANUFACTURING

Market dynamics dictated a challenging scenario for **UAC Berhad (UAC)** with the rise in material costs and tightening domestic demand. Despite these conditions, UAC delivered a profit of RM21 million (2009: RM23 million). The result was due largely to demand for its range of building products from the export market. Net rental income from Menara UAC and income from its investment in quoted securities also contributed to the bottom line.

FINANCIAL HIGHLIGHTS



Manufacturing & Services Division



- 1. A lab at Idaman Pharma Manufacturing
- 2. Staff of Boustead Sissons Paints with the Works Minister
- 3. UCO Plank
- 4. UCO SolidWall System

UAC leveraged on its pole position in the sector by bagging the *BrandLaureate Award* for Best Brands in Product Branding in cellulose fibre cement manufacturing. Other achievements include the key Type III Environmental Product Declaration in accordance with ISO 14025 and the Green Label for its range of products.

The successful marketing of the UCO SolidWall System has gained traction as more projects, both domestic and overseas, utilise this system. On the R&D front, the company focused on products and systems enhancements as well as new product development.

Idaman Pharma Manufacturing Sdn Bhd had a strong growth in revenue of RM93 million against last year's RM73 million. The increase was primarily due to the revision of the tender pricing which was effective in June. The production of penicillin for the local market at its fully operational second plant in Sri Iskandar, Perak, was also a major contributor. Other factors included the company's enhanced productivity, customer service and supply chain management. This resulted in a significantly improved profit of RM21 million compared with last year's profit of RM3 million.



Boustead Sissons Paints Sdn Bhd had a lacklustre year particularly in the decorative paint market as a result of a slowdown in the building and construction sector. Operating margins were impacted by the increase in raw material costs.

It was a trying year for **Cadbury Confectionary Malaysia Sdn Bhd** as the company weathered the impact of the economic challenge from the previous financial year. Its resilience was proven by changing its marketing strategy for its core Cadbury Dairy Milk brand. This strategy generated more sales despite flat demand.

During the year, Kraft Foods acquired the Cadbury Group in a global takeover. We expect this to boost opportunities for Cadbury Malaysia to penetrate deeper into the local market by leveraging on Kraft Foods' operation in Malaysia.

SERVICES

Boustead Travel Services Sdn Bhd achieved a commendable performance driven by its corporate ticketing unit followed by its outbound tours and incentive travel. Operating out of three locations, the company is one of the few travel agencies in Malaysia with ISO 9001:2000 certification. It remained a leading travel agent in the country winning awards offered by many major airlines during the year under review.

Manufacturing & Services Division

The increase in palm oil exports have assisted in boosting shipping and logistic activities, resulting in improved performance by **Boustead Shipping Agencies Sdn Bhd**. The positive environment in the liner agency business enabled the company to enjoy a steady volume of bookings for freight forwarding.

Asia Smart Cards Centre Sdn Bhd commissioned a new system that will contribute to speedier delivery of personalised services to its clients. It also introduced to the market personalisation of debit cards.

As Malaysia's premier tertiary institution, the **University of Nottingham in Malaysia Sdn Bhd** has grown its student population to 3,790 from 3,500 last year. To cater to the growing demand in the arts and sciences, two new Schools were established: the School of Economics and the School of Politics, History & International Relations.

Research activities grew with all faculties attracting externally-funded projects. Of particular note are the 'Crops for the Future' research programme which will see significant funding from the Malaysian Government and the Malaysia-European Union Link which is funded by the European Union.

The University also enhanced its infrastructure with the completion of new academic offices as well as new science laboratories. Additional developments are in the pipe line, including a Student Services Centre with catering capabilities projected for early 2011 and a sports facility utilising the latest all-weather surface which will be ideal for football and hockey.



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The University of Nottingham Malaysia Campus

1. 10th year anniversary celebration

2. Fully equipped lab

3. Computer centre



Resilience

*In the face of economic challenges both domestic or foreign,
the Group is committed to weather the storm and deliver results.*

CORPORATE SOCIAL RESPONSIBILITY

The Boustead Group recognises its responsibility not only to maximise shareholder value but also to contribute positively towards the advancement of human capital, the community, the environment and educational development. Our consistency and determination in sustaining our varied outreach programmes is a clear reflection of our desire to contribute to the betterment of Malaysians from all walks of life.

HUMAN CAPITAL

The Group is aware that human capital is the driving force behind our success and ensuring a diverse pool of talent is a priority for us. We recognise that highly trained employees are the backbone of a diverse and large conglomerate of our nature. The development of our employees is an essential part of our growth plan, more so given the thinning talent pool in Malaysia.

We have put into place a personal development and skills training programme aimed at enhancing our employees' professional growth as well as expanding our talent base. For the year under review a series of training initiatives were executed and completed. These included efforts to improve soft and technical skills for employees in the areas of information technology, senior management development and other

programmes. This conscious effort to strengthen Group-wide skills set is part of a policy that was implemented in the previous financial year with a view to ensure that executive level employees and clerical staff complete a minimum of 40 and 20 hours of training per year respectively.

Committed to raising the bar, the Group has extended a dedicated practical training internship programme for general management and accountancy.

Camaraderie and teamwork are crucial elements to ensure Boustead remains a vibrant and close-knit community, more so as we are on a growth path. To this end, we held various departmental and company outings and teambuilding initiatives, which were followed through with organised social and sporting events via Kelab Sukan Boustead.



While the Group appreciates that the professional development of our employees is vital to our growth, it is of equal importance to ensure their well-being and quality of life. We have taken various measures to safeguard the welfare of our employees. For resident employees of our plantations, we channelled funds towards the construction and maintenance of residential quarters and recreational facilities. Apart from crèche facilities for children and kindergartens, we have also provided teaching materials and free or subsidised transportation for school going children. The Group made donations to those unfortunate employees who had suffered from the effects of the floods in Kedah and Perlis. In addition, we instituted a Back to School Program to financially assist low-income employees.

COMMUNITY INVOLVEMENT

As Malaysia's aspirations to emerge as a developed nation becomes a reality, there are pockets of society that require assistance in one way or another. Over the last 12 months, the Group has reached out to poor neighbourhoods, single mothers, children, indigenous communities, disadvantaged schools, orphanages, old folk's homes and the disabled. We have been involved in several women's health and safety campaigns, as well as a number of sporting initiatives.

Corporate Social Responsibility



- 1. FRS139 & FRS7 training in session
- 2. YABhg Datin Paduka Seri Rosmah Mansor receiving a cheque for Yayasan Harapan Kanak-Kanak
- 3. Cerah Ceria programme by BH Petrol



The Group contributed to deserving causes across the nation. We made donations to Yayasan Diraja Sultan Mizan, the proceeds of which go towards needy communities in Terengganu. We lent our support to Badan Amal Tenaga Isteri Wakil-Wakil Rakyat Negeri Johor, a non-governmental organisation focusing on community welfare projects for single mothers and children.

Not to neglect the indigenous community of Malaysia, the Group has undertaken the development of oil palm plantations on Native Customary Rights land in Sarawak. This is aimed at bringing social and economic benefits to landowners as well as the neighbouring community.

We contributed towards the construction and maintenance of rural access roads in Sabah and Sarawak, such as in Tabung Tentera, Sungai Sungai 1 and 2, Kawananan, Lembah Paitan, Logan Bunut and Kanowit estates.

Apart from this, the Group is aware that the growth and upkeep of schools throughout the country is essential in order to cultivate the most suitable learning environment for students. We donated funds, facilities and hampers to Sekolah Kebangsaan St. Francis, SMK Ambrose Ayer Tawar and SMK Pangkalan TLDM, in Perak. We made financial donations to PIBG SK Taman Mutiara Rini, Johor, to facilitate the purchase of computers. On another note, a road safety awareness programme themed 'Cerah Ceria Seperti Saya Bersama BH Petrol' turned out to be a welcome success at SK Simpang Lima.

We care greatly about the plight and well-being of orphans and in support of this we channelled funds to various orphanages including Persatuan Kebajikan Ti-Ratana and Yayasan Harapan Kanak-Kanak Malaysia. We also sponsored various buka puasa events for orphanages during the month of Ramadhan.

Corporate Social Responsibility



We are proud to adopt a muhibbah approach and in an attempt to recognise the importance of diverse cultural and religious festivals, we contributed in various ways to observe these occasions. Our Curve shopping mall invited senior citizens from the House of Joy to enjoy Chinese New Year at its premises.

Several of our estates employ surau caretakers, as well as provide imam and Ramadhan allowances. During Ramadhan, we engaged Tahfiz to lead the Tarawih prayers. At our estates in Sungai Jernih and Bebar, we hosted Hari Raya Puasa open houses and organised Qurban during Idul Adha. In addition, the Group made annual donations for temple festivals and Gawai Day celebrations.

We are a staunch supporter of the Malaysian Armed Forces and are grateful for their invaluable service to the nation. For this reason, we donated Hari Raya hampers worth RM25,000 to Tabung Kebajikan Angkatan Tentera Malaysia. We also contributed a sponsorship worth RM250,000 to the 'Bunga Raya Sempena – Rayuan Hari Pahlawan 2010'.

Aid and support of underprivileged children are another focus area. the Curve hosted the campaign 'This is My World Vision', aimed at raising awareness on child sponsorship for the World Vision Foundation. In addition, we sponsored the Curve as the venue for the 'Wear it Pink for Breast Cancer' campaign, a charitable drive aimed at raising awareness on the breast cancer cause. We launched another campaign called 'Think Pink, Love Life' to educate Malaysian women on breast cancer prevention.

In line with the cause of women's health and safety, the Minister of Women, Family and Community Development YB Senator Dato' Sri Shahrizat Abdul Jalil presented the Group with an award recognising e@Curve at a special ceremony. This was in conjunction with the International Day for the Elimination of Violence against Women. e@Curve since its opening has designated a special area as 'Women Only' parking in its basement car park, a space close to the entrance that ensures the safety and security of lady drivers.



Not overlooking the area of sports, the Group has actively supported healthy living through various sporting events, which resulted in the Curve being the official venue for the CIMB Squash Malaysian Open 2010. We sponsored a challenge trophy, championship and runner up trophy to Kelab Golf Samudera for the 2010 BNS Golf Tournament. In addition, the annual Orange Run organised by BH Petrol had an overwhelming response of 3,500 participants this year.

EDUCATION

The standards of education in Malaysia are of utmost importance, as it is through nurturing our country's young minds that we can pave the way for a brighter future. In this direction, the Group has long been dedicated to enriching the academic environment of the country at all levels of instruction, be it primary, secondary, tertiary or professional.

A hallmark of our educational drive has been our efforts with the Yayasan Warisan Perajurit, a charitable foundation created by the LTAT Group of Companies aimed at assisting the children of members of the Armed Forces. This Foundation raises funds for the purpose of providing assistance in the form of scholarships and allowances or payment of school fees and educational materials. Resources go towards children with exemplary marks in their UPSR or PMR exams. This year, the Boustead Group donated RM5 million with more than 9,000 children benefiting from this financial aid.

At the elementary school level, the Group continued to contribute and work towards enhancing the nation's level of education by adopting three new schools under the PINTAR programme. These schools are located in Kedah and Perak. The students have benefited through the various educational programmes run by the schools, including tuition, motivational camps, seminars and educational visits.

Corporate Social Responsibility



We are mindful that the opportunity to pursue tertiary education can be out of reach for many deserving students. In recognition of their achievements, the University of Nottingham Malaysia Campus grants scholarships to individuals who have demonstrated commitment to academic excellence. In 2010, more than 150 scholarships were awarded to deserving students.

The Heavy Industries Division founded a professional management course that aims to train and enhance the skills of individuals in the maritime related areas of shipbuilding, ship repair, manufacturing, construction and maintenance activities. This course was established in partnership with external parties including Furniture Industry Technologies, Technology Park Malaysia, SIRIM Berhad and Kulim Technology Park Corporation. We have collaborated with Lembaga Zakat Selangor on Project Holliman, a

partnership aimed at equipping underprivileged individuals with business and financial skills with the intention of developing them into successful entrepreneurs.

ENVIRONMENT

Boustead is a firm believer in conservation efforts aimed at protecting the environment. We have implemented several policies and agronomic practices in order to work towards a sustainable future.

We have put into practice a zero-burning policy, which is aimed at preserving good air quality. As part of the Group's contribution to the advancement of oils and fats science, we made a donation to the Malaysian Oil Scientists and Technical Association.



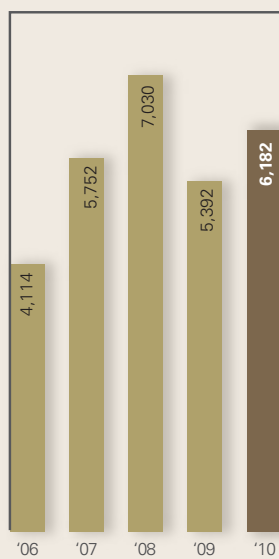
A recognised supporter of the environment, the Group is a founding member of the Roundtable of Sustainable Palm Oil (RSPO). This ongoing international initiative is focused on making good agricultural practices a standard for sustainable palm oil. This year, we instituted a five-year programme to ensure that all our oil palm business units obtain RSPO certification by 2015. Sungei Jernih business unit is the first unit currently in the process of inspection for final RSPO auditing and should receive its certification by the middle of 2011.

Being a leading property developer, our primary goal is to build communities that will last for generations to come. This entails not only building functional housing units but establishing the proper facilities and maintaining these areas to ensure all the needs of residents are met, while at the same time caring for our surroundings.

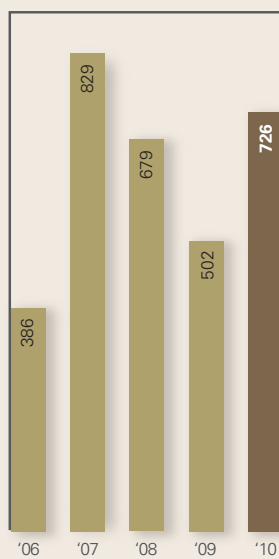
To promote greener living in the community, we have contributed to the maintenance of landscaped green areas in Mutiara Damansara. This has ensured that the environment is preserved on a long-term basis. We also operate a district cooling plant at the Mutiara Damansara Commercial Centre that regulates the use of electricity during off peak hours, which has led to reduced energy consumption during peak hours.

Five-Year Financial Highlights

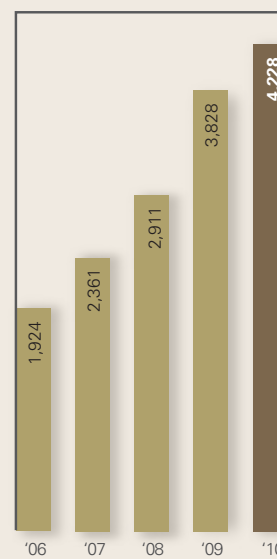
REVENUE
(RM MILLION)



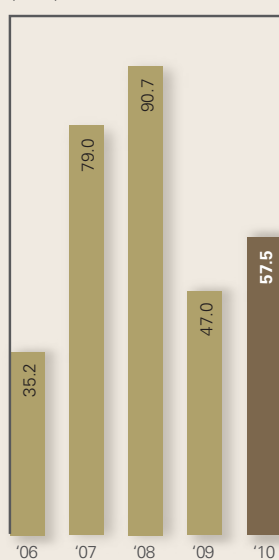
PROFIT BEFORE TAXATION
(RM MILLION)



SHAREHOLDERS' EQUITY
(RM MILLION)



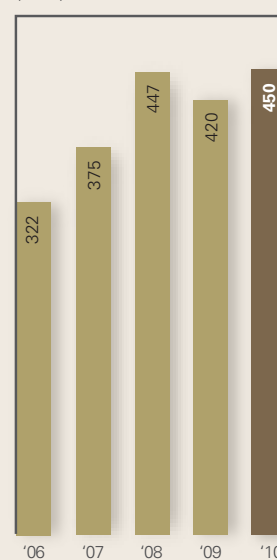
EARNINGS PER SHARE
(SEN)



NET DIVIDEND PER SHARE
(SEN)



NET ASSETS PER SHARE
(SEN)



		2010	2009	2008	2007	2006
FINANCIAL PERFORMANCE						
Revenue		6,182	5,392	7,030	5,752	4,114
Profit before taxation		726	502	679	829	386
Profit after taxation		625	418	668	655	351
Profit attributable to shareholders		538	342	579	478	210
Earnings per share	sen	57.5	47.0	90.7	79.0	35.2
Return on equity	%	13.3	10.1	22.0	22.3	11.5
Return on assets	%	9.0	7.1	9.7	13.4	9.2
Return on revenue	%	10.0	7.4	8.7	13.0	7.4
DIVIDENDS						
Dividend payment		367	184	145	138	80
Net dividend per share	sen	39.0	22.1	22.5	22.1	13.5
Dividend yield – net of tax	%	7.3	6.4	6.6	3.4	7.0
Dividend cover	times	1.5	1.9	4.0	3.5	2.6
GEARING						
Borrowings		3,163	2,944	3,503	3,383	2,301
Gearing	times	0.8	0.8	1.2	1.4	1.2
Interest cover	times	7.4	4.9	5.4	7.6	4.3
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	450	420	447	375	322
Share price – high	sen	605	452	725	685	195
Share price – low	sen	326	300	218	183	157
Price earning ratio	times	9.3	7.4	3.8	8.2	5.5
Paid up share capital		470	456	326	315	299
Shareholders' equity		4,228	3,828	2,911	2,361	1,924
Total equity		4,699	4,275	3,296	3,209	2,707
Total assets		9,268	9,088	8,679	8,441	5,766

All figures are in RM Million unless otherwise stated.

Corporate Information

DIRECTORS

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

Chairman

Tan Sri Dato' Lodin Wok Kamaruddin

Deputy Chairman/Group Managing Director

Lt. Gen. Dato' Mohd Yusof Din (R)

Dato' (Dr.) Megat Abdul Rahman Megat Ahmad

Datuk Azzat Kamaludin

Dato' Ghazali Mohd Ali

REGISTERED OFFICE

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

REGISTRAR

Boustead Management Services
Sdn Bhd
13th Floor, Menara Boustead
No. 69 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Tel : (03) 2141 9044
Fax : (03) 2144 3016

SECRETARY

Pn. Sharifah Malek

PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
The Bank of Nova Scotia Berhad
Ambank (M) Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
RHB Bank Berhad

AUDITORS

Ernst & Young

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

HOLDING CORPORATION

Lembaga Tabung Angkatan Tentera

Financial Calendar

FINANCIAL YEAR	RESULTS	ANNUAL REPORT	ANNUAL GENERAL MEETING	DIVIDENDS
1 January to 31 December 2010	First quarter Announced 31 May 2010	Issued 16 March 2011	To be held 7 April 2011	First interim Announced 31 May 2010 Entitlement date 17 June 2010 Payment date 28 June 2010
	Second quarter Announced 23 August 2010			Second interim Announced 23 August 2010 Entitlement date 17 September 2010 Payment date 28 September 2010
	Third quarter Announced 29 November 2010			Third interim Announced 29 November 2010 Entitlement date 16 December 2010 Payment date 30 December 2010
	Fourth quarter Announced 25 February 2011			Fourth interim Announced 25 February 2011 Entitlement date 21 March 2011 Payment date 31 March 2011



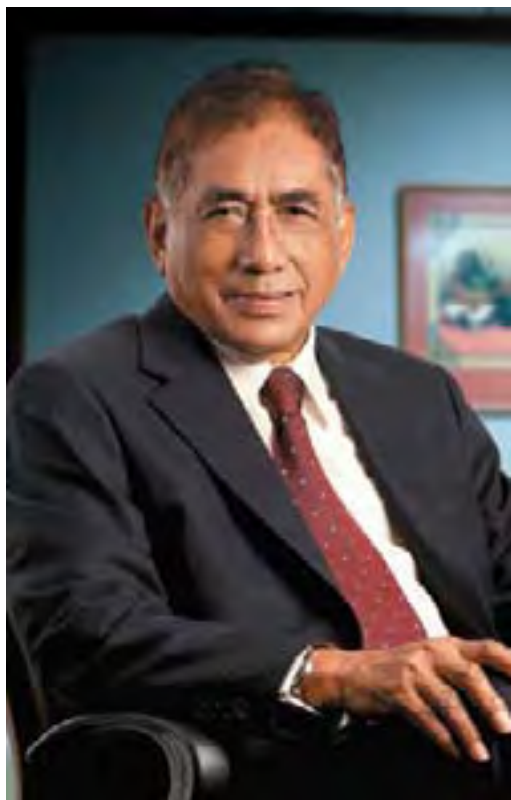
Thriving

*Capitalising on a fruitful year, the Boustead Group
is committed to strengthening its prospects.*

Board of Directors

1

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



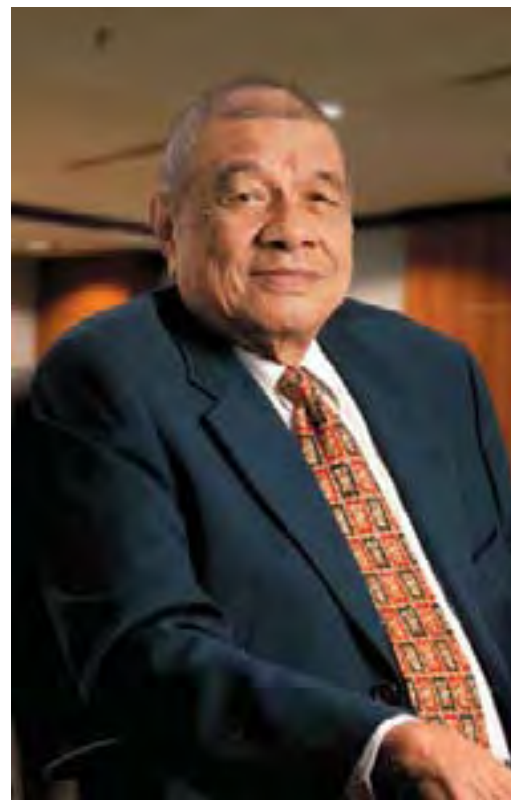
2

TAN SRI DATO' LODIN
WOK KAMARUDDIN



3

LT. GEN. DATO' MOHD
YUSOF DIN (R)



4

DATO' (DR.) MEGAT ABDUL
RAHMAN MEGAT AHMAD



5

DATUK AZZAT KAMALUDIN



6

DATO' GHAZALI MOHD ALI



Profile of Directors

Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)
Chairman
Independent Non-Executive Director
80 Years Of Age, Malaysian

Tan Sri Ghazali was appointed to the Board on 3 December 1990. He is a member of the Nomination Committee and Remuneration Committee.

Tan Sri Ghazali graduated from the Royal Military Academy, Sandhurst, United Kingdom and the Command and Staff College, Quetta, Pakistan. He had served in various capacities in the Malaysian Armed Forces for more than 30 years culminating in his appointment as Chief of the Armed Forces from 1985 to 1987. Tan Sri Ghazali was the Chairman of Lembaga Tabung Angkatan Tentera (LTAT) from 23 February 1988 until 22 February 2007. Tan Sri Ghazali is the Chairman of UAC Berhad and he also sits on the Boards of Boustead Plantations Berhad and Boustead Properties Berhad. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.

Tan Sri Dato' Lodin Wok Kamaruddin
Deputy Chairman/Group Managing Director
Non-Independent Executive Director
61 Years Of Age, Malaysian

Tan Sri Lodin was appointed to the Board on 10 July 1984. He is a member of the Remuneration Committee. He is also the Chief Executive of LTAT.

Tan Sri Lodin graduated from the College of Business Administration, The University of Toledo, Ohio, United States of America with a Bachelor of Business Administration and Master of Business Administration. Prior to joining LTAT in 1982, he was with Perbadanan Kemajuan Bukit Fraser as its General Manager from 1973 to 1982. He has extensive experience in general management and fund management. Tan Sri Lodin is also the Chairman of Boustead Heavy Industries Corporation Berhad, Boustead Naval Shipyard Sdn Bhd, Boustead Petroleum Sdn Bhd, Boustead Petroleum Marketing Sdn Bhd, Boustead REITS Managers Sdn Bhd, Johan Ceramics Berhad and 1Malaysia Development Berhad. He is also Deputy Chairman of Affin Holdings Berhad and he also sits on the Boards of UAC Berhad, Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Investment Bank Berhad, AXA AFFIN Life Insurance Berhad, The University of Nottingham in Malaysia Sdn Bhd and Badan Pengawas Pemegang Saham Minoriti Berhad. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, except that he is also the Chief Executive of LTAT.

Lt. Gen. Dato' Mohd Yusof Din (R)
Independent Non-Executive Director
80 Years Of Age, Malaysian

Dato' Yusof was appointed to the Board on 16 February 1989. He is a member of the Audit Committee and Nomination Committee.

Dato' Yusof is a graduate of the Royal Military Academy, Sandhurst, United Kingdom; Defence Services Staff College, India; and International Defence Management Naval Institute, United States of America. He holds a diploma in Practical & Applied Psychology in Industry from Aldermaston College, United Kingdom. Dato' Yusof had also attended a Business Administration course at INTAN. He served in various capacities in the Malaysian Armed Forces from 1955 to 1988 with his last position being that of Chief of Defence Intelligence Staff. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.

Dato' (Dr.) Megat Abdul Rahman Megat Ahmad
Independent Non-Executive Director
71 Years Of Age, Malaysian

Dato' Megat was appointed to the Board on 10 December 1990. He is the Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee.

Dato' Megat is also the senior independent non-executive Director to whom all concerns regarding the Group may be conveyed. He holds a Bachelor of Commerce degree from University of Melbourne, Australia. He is a Life Member of the Malaysian Institute of Certified Public Accountants, a member of the Malaysian Institute of Accountants and a Fellow Member of the Institute of Chartered Accountants in Australia. He was a partner of KPMG, Malaysia and managing partner of KPMG Desa, Megat & Co. for over 10 years and an executive director in Kumpulan Guthrie Berhad for 11 years. He also sits on the Boards of UAC Berhad, Press Metal Berhad and Mardec Berhad. He also sits on the Boards of Universiti Kebangsaan Malaysia and Hospital Universiti Kebangsaan Malaysia. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.

Datuk Azzat Kamaludin
Non-Independent Non-Executive Director
65 Years Of Age, Malaysian

Datuk Azzat was appointed to the Board on 16 January 1991. He is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Datuk Azzat is a lawyer by profession, and is a partner of the law firm of Azzat & Izzat. He graduated from the University of Cambridge with degrees in Law and in International Law in 1969 and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an Administrative and Diplomatic Officer with the Ministry of Foreign Affairs Malaysia in various capacities. He is also presently a director of Affin Holdings Berhad, Boustead Heavy Industries Corporation Berhad, Axiata Group Berhad, KPJ Healthcare Berhad, Visions Holdings Berhad, Pulau Springs Berhad and several other private limited companies. He served as a member of the Securities Commission from 1 March 1993 to 21 March 1999. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner.

Dato' Ghazali Mohd Ali
Non-Independent Executive Director
62 Years Of Age, Malaysian

Dato' Ghazali was appointed to the Board on 1 March 2007. He is also the Divisional Director of Boustead Holdings Berhad's Property Division.

Dato' Ghazali graduated from the Western Australia Institute of Technology (WAIT) in Perth in Town and Regional Planning in 1970 and is a Fellow of the Malaysian Institute of Planners. Dato' Ghazali was a member of the Town Planning Board of Malaysia and is a Board member of Boustead Properties Berhad, Perumahan Kinrara Berhad, Johan Ceramics Berhad and Iskandar Investment Berhad. Prior to joining Boustead Holdings Berhad, he was the Managing Director of Syarikat Perumahan Pegawai Kerajaan Sdn Bhd (SPPK) and Deputy Director General of the Urban Development Authority (UDA). He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Arkitek MAA, of which he is a partner.

Note: None of the Directors have been convicted of any offences in the past 10 years (other than traffic offences, if any).

Senior Management Team



from left:

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

Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Hj. Mohd Nor (R)
Director, Heavy Industries

Dato' Ghazali Mohd Ali
Director, Property

Mr. Daniel Ebinesan
Director, Finance

Mr. Koo Hock Fee
Director, Manufacturing





from left:

Mr. Chow Kok Choy
Director of Operations
Boustead Estates Agency

En. Sharudin Jaffar
Planting Director
Boustead Estates Agency

En. Shoib Abdullah
Senior General Manager
Boustead Estates Agency

Mr. Teng Peng Khen
Senior General Manager
Boustead Estates Agency

Dato' Farshilla Emran
Managing Director
Idaman Pharma Manufacturing

En. Mokhtar Khir
Director of Operations
Boustead Hotels and Resorts

Senior Management Team



from left:

Mr. Chew Chik Soo
Senior General Manager
Boustead Building Materials & Boustead
Sissons Paints

En. Rahim Mohd Som
Executive Director
Boustead Emastulin & Boustead Credit

En. Khushairi Mohd Hashim
Senior General Manager
Mutiara Rini

Mr. Tan Kim Thiam
Managing Director
Boustead Petroleum Marketing

Ms. Serena Ngiam
General Manager
Boustead Travel Services

Professor Ian Pashby
Vice President
University of Nottingham Malaysia Campus



from left:

En. Musa Hj. Sulaiman
General Manager
Boustead Global Trade Network

Mr. Ting Sik Fatt
General Manager, Boustead Engineering

Mr. Koh Chor Meng
General Manager, Asia Smart Cards Centre
& Group ICT

Mr. Bernard Khit
General Manager, Boustead Shipping Agencies

Puan Zalily Mohamed Zaman Khan
General Manager, Group Internal Audit

Puan Sharifah Malek
Group Company Secretary

Puan Nawal Hanafiah
General Manager, Group Human Resource



Foresight

Always looking towards the future, the Boustead Group continues to strategically expand into new areas of the economy.

Audit Committee Report

The Audit Committee (the Committee) was established on 27 June 1994 to act as a Committee of the Board of Directors.

MEMBERS AND MEETINGS

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

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Director Chairman of the Committee	Yes	5/5
Lt. Gen. Dato' Mohd Yusof Din (R)	Non-executive Director	Yes	5/5
Datuk Azzat Kamaludin	Non-executive Director	No	4/5

The Deputy Chairman/Group Managing Director, the Group Chief Financial Officer, General Manager, Group Internal Audit and other members of senior management attended these meetings. The Group's external auditors were invited to attend two of these meetings. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee is authorised by the Board to obtain such outside legal or other independent professional advice and to secure the attendance of such outsiders with relevant experience and expertise as it may consider necessary. The Committee is able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and management, whenever deemed necessary.

RESPONSIBILITIES AND DUTIES

The Committee shall undertake the following responsibilities and duties:

1. To review with the external auditors, the audit plan, the scope of audit and their audit report.
2. To review the evaluation of the system of internal control with the internal and external auditors.
3. To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
4. To review the internal audit plan and review the results of the internal audit plan or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
5. To review the quarterly results and the year end financial statements of the Group prior to the approval by the Board of Directors, focusing particularly on:
 - changes in or implementation of major accounting policies;
 - significant and unusual events; and
 - compliance with accounting standards and other regulatory requirements.
6. To review related party transactions entered into by the Company and the Group to ensure that they are in the best interest of the Group; fair, reasonable and on normal commercial terms; and not detrimental to minority shareholders.
7. To review the procedures of recurrent related party transactions undertaken by the Company and the Group.
8. To review with the external auditors with regards to problems and reservations arising from their interim and final audits.
9. To assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.
10. To recommend the nomination of a person or persons as external auditors.
11. To review any letter of resignation from the external auditors and any questions of resignation or dismissal.
12. To monitor the Group's compliance to the Bursa Malaysia Listing Requirements (LR) and the Malaysian Code of Corporate Governance from assurances by the Company Secretary and the results of review by the external and internal audits.
13. To report to Bursa Malaysia, any breaches of the LR which have not been satisfactorily resolved.

Audit Committee Report

14. To undertake such other functions as may be agreed to by the Committee and the Board of Directors.

ACTIVITIES DURING THE FINANCIAL YEAR

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

- Reviewed the internal and external auditors' scope of work and annual audit plans for the Group.
- Reviewed management letters and the audit report of the external auditors.
- Reviewed the quarterly and annual reports of the Group to ensure compliance with the LR, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors.
- Review of the Audit Committee Report, Statement on Corporate Governance and Statement on Internal Control and recommend to the Board for approval prior to their inclusion in the Company's annual report.
- Reviewed the resource requirements of the Group Internal Audit function.

- Approved the framework for related party transactions and recurrent related party transactions for adoption by the Group.

- Reviewed the related party transactions entered by the Company and the Group as well as the disclosure of and the procedures relating to related party transactions.

- Reviewed internal audit reports and to monitor/follow-up on remedial action. Where required, members of the Committee would carry out ground visits to verify significant issues highlighted in the Internal Audit Reports.

- Met with the external auditors twice during the year in the absence of management.

INTERNAL AUDIT FUNCTION

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

The terms of reference of the Group Internal Audit function are clearly spelt out in the Group Internal Audit Charter approved by the Committee on 18 November 2009. The Group Internal Audit function had operated and performed in accordance to the principles of the Charter. The Group Internal Audit function reports directly to the Committee, and is independent of the activities it audits.

During the financial year, the Group Internal Audit function had undertaken the following activities:

- Prepared the annual audit plan for approval by the Committee.
- Performed risk based audit based on the annual audit plan, including follow-up of matters from previous internal audit reports.
- Issued internal audit reports to the management on risk management, control and governance issues identified from the risk based audits together with recommendations for improvements in these processes.
- Undertook investigations and special reviews of matters arising from the audits and/or requested by the management and/or Committee and issued reports accordingly to the management.
- Reported on a quarterly basis to the Management Committee on significant risk management, control and governance issues from the internal audit reports issued, the results of investigations and special reviews undertaken and the results of follow-up of matters reported.
- Reported on a quarterly basis to the Committee the achievement of the audit plan and status of resources of the Group Internal Audit function.
- Conducted follow-up of the recommendations by the external auditors in their management letter.
- Liaised with the external auditors to maximise the use of resources and for effective coverage of the audit risks.
- Reviewed the procedures relating to related party transactions.

The total cost incurred for the Group Internal Audit function in respect of the financial year ended 31 December 2010 amounted to RM3.6 million (2009: RM2.4 million).

Statement on Corporate Governance

The Board of Directors is committed to the Principles of Malaysian Code on Corporate Governance (the Code) and strives to adopt the substance behind the corporate governance prescriptions and not merely the form.

Set out below is the manner with which the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Code. These principles and best practices have been applied and complied with throughout the year ended 31 December 2010.

BOARD RESPONSIBILITIES

The Board is responsible for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group. The key responsibilities include the primary responsibilities prescribed under best practice AA1 of the Code. These cover a review of the strategic direction for the Group and overseeing the business operations of the Group, evaluating whether these are being properly managed. The responsibility for matters material to the Group is in the hands of the Board, with no individuals having unfettered powers to make decisions. In performing their duties, all Directors have access to the advice and services of the Company Secretary and if necessary, may seek independent professional advice about the affairs of the Group. The Board has a formal schedule of matters reserved to itself for decision, including the overall Group strategy and direction, acquisition and

divestment policy, approval of major capital expenditure projects and significant financial matters.

COMPOSITION OF THE BOARD

The Board currently has six members, comprising two executive Directors and four non-executive Directors. Three of the Directors are independent Directors, which is in excess of the Listing Requirement of one third. Together, the Directors bring characteristics which allow a mix of qualifications, skills and experience which is necessary for the successful direction of the Group.

A brief profile of each Director is presented on pages 74 to 75 of this annual report.

The Group practises a division of responsibility between the Chairman and the Deputy Chairman/Group Managing Director (GMD) and there is a balance of executive, non-executive and independent non-executive Directors. The roles of the Chairman and GMD are separate and clearly defined, and are held individually by two persons. The Chairman, who is not a previous GMD, is primarily responsible for the orderly conduct and working of the Board whilst the GMD has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions.

Dato' (Dr.) Megat Abdul Rahman Megat Ahmad is the senior independent non-executive Director. Any concerns regarding the Group may be conveyed to him.

The terms and conditions of the appointment of Directors are set out in a letter of appointment that sets out, amongst others, the procedures for dealing with conflicts of interest and the availability of independent professional advice. The Board believes that the current size and composition is appropriate for its purpose, and is satisfied that the current Board composition fairly reflects the interests of minority shareholders within the Group.

BOARD MEETINGS

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. The Board records its deliberations, in terms of issues discussed, and the conclusions in discharging its duties and responsibilities. All Directors are fully briefed in advance of Board meetings on the matters to be discussed and have access to any further information they may require. The Board may, whenever required, set up committees delegated with specific powers and responsibilities.

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

Board of Directors	4 meetings
Audit Committee	5 meetings
Nomination Committee	1 meeting
Remuneration Committee	2 meetings

Statement on Corporate Governance

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

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	Non-executive Chairman	Yes	4/4
Tan Sri Dato' Lodin Wok Kamaruddin	Deputy Chairman/ Group Managing Director	No	4/4
Lt. Gen. Dato' Mohd Yusof Din (R)	Non-executive Director	Yes	4/4
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Director	Yes	4/4
Datuk Azzat Kamaludin	Non-executive Director	No	4/4
Dato' Ghazali Mohd Ali	Executive Director	No	4/4

INFORMATION FOR THE BOARD

The Directors are provided with adequate Board reports on a timely manner prior to the Board meeting to enable the Directors to obtain further explanations, where necessary. These reports provide information on Group performance and major operational, financial and corporate issues. Minutes of the Board Committees are also tabled at the Board meetings for the Board's information and deliberation.

The Directors have access to the advice and services of the Company Secretary and the terms of appointment permit removal and appointment only by the Board as a whole. The Board of Directors, whether as a full Board or in their individual capacity, in the furtherance of their duties, may seek independent professional advice at the Company's expense.

DIRECTORS' TRAINING

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. The Directors will continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with paragraph 15.09 of Bursa Malaysia Listing Requirements. Trainings attended by the Directors during the year are as follows:

Course Title/Organiser	Date
The Financial Institution Directors' Education (FIDE) Programme – Module 4 (Bank Negara Malaysia)	11 – 12 January 2010
Retail Team Development Workshop (John Stanley Associates)	11 February 2010
MSWG Seminar (MSWG)	25 March 2010
FIDE – Invitation to Colloquium on Risk Management of Derivatives by Prof. Robert M Conroy (Bank Negara Malaysia)	27 April 2010
Transformational Leadership A Passionate Passage (MINDA)	13 May 2010
Borderless & Globalisation (MICG & FPLC)	9 June 2010
Corporate Governance Guide – Towards Boardroom Excellence (MIA)	16 June 2010
Shopping Centre Leasing & Development Workshop (International Council of Shopping Centre)	29 – 30 June 2010
Islamic Banking (Affin Holdings Berhad)	1 July 2010
2nd Annual Corporate Governance Summit 2010 (MICG & FPLC)	6 – 7 July 2010
Briefing on Financial Reporting Standards and Goods and Services Tax (Affin Holdings Berhad)	8 July 2010
Briefing on Financial Industry Directors' Remuneration Study (PricewaterhouseCoopers)	20 August 2010
Corporate Governance – Board Simulation Exercise (Bank Negara Malaysia)	20 – 21 October 2010
Financial Industry Conference (Bank Negara Malaysia)	3 November 2010

Statement on Corporate Governance

RE-ELECTION OF DIRECTORS

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

BOARD COMMITTEES

Audit Committee

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

The Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Committee. The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of

each member are set out in the Audit Committee Report in the annual report.

Nomination Committee

The Board has established a Nomination Committee comprising entirely independent and non-executive Directors. The composition of the Nomination Committee is as follows:

Dato' (Dr.) Megat Abdul Rahman
Megat Ahmad (Chairman)
Gen. Tan Sri Dato' Mohd Ghazali
Hj. Che Mat (R)
Lt. Gen. Dato' Mohd Yusof Din (R)

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

- To assess and recommend to the Board candidates for directorship on the Board of the Company as well as membership of the Board Committees.
- To review and assess annually the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and the adequacy of balance between executive Directors, non-executive Directors and independent Directors.

- To establish the mechanisms for the formal assessment of the effectiveness of individual Director, and to annually appraise the performance of the executive Directors including the GMD based on objective performance criteria as approved by the Board.

Meetings of the Nomination Committee are held as and when necessary, and at least once a year. The Nomination Committee met once during the year and all the members registered full attendance. The Nomination Committee upon its recent annual review carried out is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board.

Remuneration Committee

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

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

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the GMD, executive Director and senior executives on an annual basis and makes recommendations to the Board. The Board as a whole determines

the remuneration of the GMD and the executive Director with each individual Director abstaining from decisions in respect of his own remuneration. In establishing the level of remuneration for the GMD, executive Director and senior executives, the Committee has regard to packages offered by comparable companies, and may obtain independent advice.

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

The terms of reference of the Remuneration Committee is as follows:

- To review annually and make recommendations to the Board the remuneration packages, reward structure and fringe benefits applicable to all executive Directors and senior executives to ensure that rewards commensurate with their contributions to the Group's growth and profitability.
- To review annually the performance of the GMD and the Executive Director and recommend to the Board specific adjustments in remuneration and reward payments if any, to reflect their contributions for the year.

Statement on Corporate Governance

- To ensure that the level of remuneration of the non-executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.
- To keep abreast of the terms and conditions of service of the GMD, the executive Director and key senior management officers including their total remuneration packages for market comparability; and to review and recommend to Board changes whenever necessary.
- To keep abreast of the remuneration package of the non-executive Directors to ensure that they commensurate with the scope of responsibilities held and to review and recommend to Board changes whenever necessary.

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

DIRECTORS' REMUNERATION

The details on the aggregate remuneration of Directors for the financial year ended 31 December 2010 are as follows:

	Non-executive Directors RM'000	Executive Directors RM'000	Total RM'000
Directors' fees	586	239	825
Meeting allowances	130	40	170
Salaries	–	1,717	1,717
Bonuses	–	807	807
Employees provident fund contribution	–	382	382
Benefits in kind and allowances	72	523	595
Total	788	3,708	4,496

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

	Non-executive Directors	Executive Directors
From RM100,001 to RM150,000	2	–
From RM200,001 to RM250,000	1	–
From RM300,001 to RM350,000	1	–
From RM1,150,001 to RM1,200,000	–	1
From RM2,500,001 to RM2,550,000	–	1

INVESTORS AND SHAREHOLDERS RELATIONSHIP

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

Statement on Corporate Governance

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

En. Fahmy bin Ismail

Designation – General Manager, Corporate Planning

Contact details – Telephone Number: 03-20317749

Email: fahmy.cpd@boustead.com.my

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Related Party Transactions

Directors recognise that they must declare their respective interests in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. All related party transactions are reviewed as part of the annual internal audit plan, and the Audit Committee reviews any related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that raises questions of management integrity. Details of related party transactions are set out in Note 42 to the annual financial statements.

Internal Control

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

Relationship with External Auditors

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

This statement is made in accordance with a resolution of the Board of Directors dated 7 March 2011.

Directors' Responsibility Statement

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

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

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 7 March 2011.

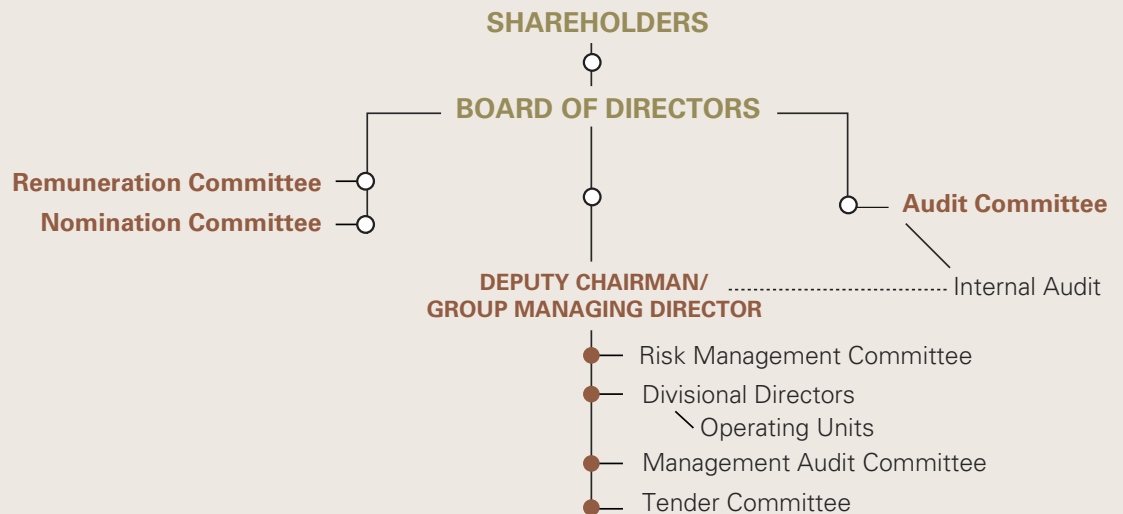
Statement on Internal Control

BOARD RESPONSIBILITY

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

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

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



Statement on Internal Control

RISK MANAGEMENT

The Board recognises the importance of sound risk management practices in relation to good corporate governance and internal control system. As such the Group strives to identify and manage its risks in a structured manner to ensure that the assets and stakeholders' interests are well protected and shareholders' value maximised.

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

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

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

- Adopted a structured and systematic risk assessment, reporting and monitoring framework;
- Heightened risk awareness culture in the business processes;

- Fostered a culture of continuous improvement in risk management through risk review meetings and;
- Provided a system to manage the central accumulation of risk profiles data with risk significance rating for the profiles as a tool for prioritising risk action plans.

Identifying, evaluating and managing the various significant risks faced by the Group is an ongoing and iterative process within the various key operating units. The RMC periodically reviews the significant risks for the Group, to ensure that the risks are being well managed.

During the financial year under review, the Risk Management department has conducted risk management meetings with key operating units to review their key risks, controls and action plans. Emphasis is given on ensuring that the operating units have identified their high risk areas with the relevant controls and action plans in place to mitigate the identified risks.

The Group will continue its focus on sound risk assessment practices and internal controls to ensure that the Group is able to respond effectively to the changing business and competitive environment to enhance the shareholder value.

KEY ELEMENTS OF INTERNAL CONTROL

Internal controls are embedded in the Group's operations as follows:

- Clear organisation structure with defined reporting lines.

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- Each operating unit is responsible for the conduct and performance of business units, including the identification and evaluation of significant risks applicable to their respective business area, the design and operation of suitable internal controls and in ensuring that an effective system of internal control is in place.
 - Defined level of authorities and lines of responsibilities from operating units up to the Board level to ensure accountabilities for risk management and control activities.
 - The Group has various support functions comprising secretarial, legal, human resource, finance, treasury and IT which are centralised.
 - Training and development programmes are established to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.
 - A code of ethics is established for all employees that defines the ethical standards and conduct at work required. The Group also has in place a whistle blowing policy to provide an avenue for employees to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines in a safe and confidential manner.
 - Regular Board and Management meetings to assess the Group's performance and controls.
 - The internal audit function provides assurance of the effectiveness of the system of internal controls within the Group. Regular internal audit visits to review the effectiveness of the control procedures and ensure accurate and timely financial management reporting. Internal audit efforts are directed towards areas with significant risks as identified by Management, and the risk management process is being audited to provide assurance on the management of risk.
 - Review of internal audit reports and follow-up on findings by Management Audit Committee. The internal audit reports are deliberated by the Audit Committee, and are subsequently presented to the Board on a quarterly basis or earlier, as appropriate.
 - Review and award of major contracts by Tender Committee. A minimum of three quotations is called for and tenders are awarded based on criteria such as quality, track record and speed of delivery.
 - Tender Committee comprising members of senior management which ensures transparency in the award of contracts.
 - Clearly documented standard operating procedures manuals set out the policies and procedures for day to day operations to be carried out. Regular reviews are performed to ensure that documentation remains current and relevant.

Statement on Internal Control

- Consolidated monthly management accounts and quarterly forecast performance which allow Management to focus on areas of concern.
- Regular visits to estates by Visiting Agents, and Estates Department, with the emphasis on the monitoring and control of expenditure at operating centres, agronomic practices and ad-hoc investigations.
- Strategic planning, target setting and detailed budgeting process for each area of business which are approved both at the operating level and by the Board.
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- Regular visits to the operating units by members of the Board and Senior Management.
- Periodic examination of business processes and the state of internal control by the internal audit function. Reports on the reviews carried out by the internal audit function are submitted on a regular basis to the Management Audit Committee and Audit Committee.

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

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

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

- Regular confirmation by the Chief Executive Officer and Chief Financial Officer of the respective operating units on the effectiveness of the system of internal control, highlighting any weaknesses and changes in risk profile.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

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

This statement is made in accordance with a resolution of the Board of Directors dated 7 March 2011.