



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



ntegrity

Towards Excellence



rationale

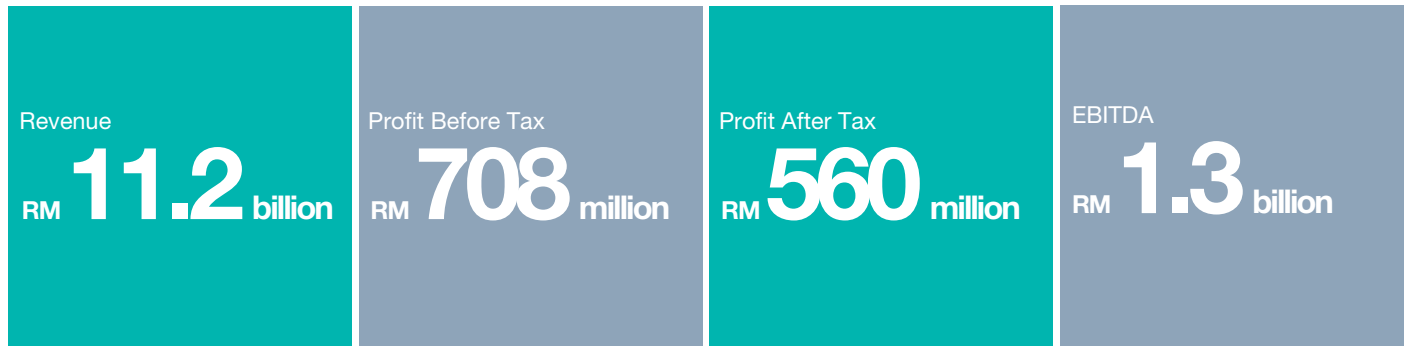
We have been growing as a Group, expanding our vast portfolio of investments. To accomplish this, we are driven by a strong principle of integrity accompanied by a deep sense of delivering excellence in the work that we do. The cover design mirrors this commitment, as the clean visual encapsulates our dedicated focus to our philosophy of Integrity Towards Excellence.

inside this report

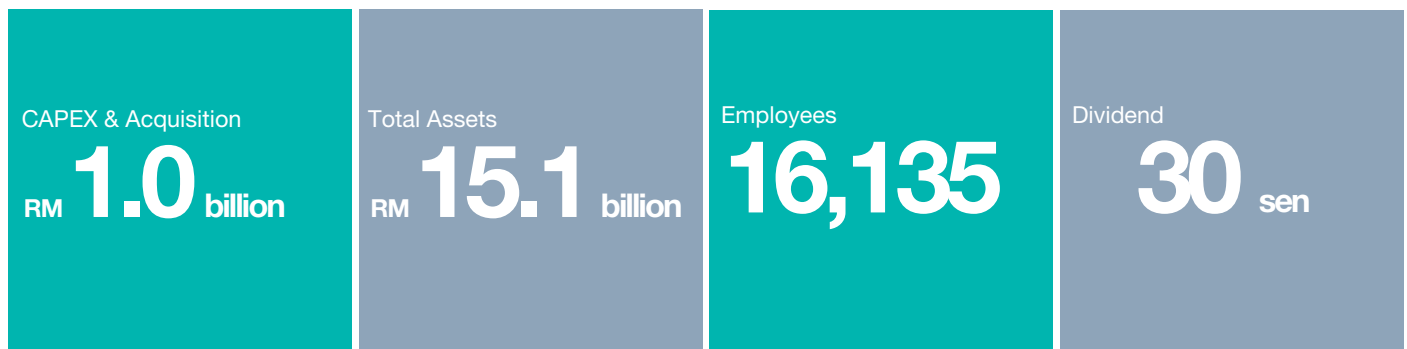
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• Proxy Form

At a Glance



- Significant 14% increase year-on-year.
- 19% year-on-year increase.
- Achieved, due to our diverse investments.
- 11% of revenue.



- Propelling organic and inorganic growth.
- 10% growth year-on-year.
- Strong talent pool.
- 5.3% yield on closing price at year end.

Our Prime Assets

- Pharmaniaga, Malaysia's largest listed integrated pharmaceutical group.
- BHPetrol, Malaysia's only other national retail petroleum network.
- The Royale chain of hotels, a leading hotel chain in Malaysia.
- University of Nottingham Malaysia Campus, a top private university in Malaysia.
- MHS Aviation, a leading provider of air transportation to the oil and gas sector.
- Boustead Naval Shipyard, Malaysia's leading solutions provider for naval vessels.
- Mutiara Rini, an award winning developer expanding its reach to Cochrane.
- Portfolio of prime investment properties and plantation assets.



About Us

Today, the Boustead Group stands strong with a vast array of investments across several industries in the Malaysian economy. Our businesses range from plantation, property, finance & investment, pharmaceutical, trading & industrial as well as heavy industries.



With a rich history of well over 180 years, we are at the forefront of multiple sectors, delivering value to our clientele and contributing to nation building. Our talent pool is in excess of 16,000 employees, from listed and non-listed subsidiaries. The Group's total assets amount to over RM15.1 billion and shareholders' funds stand at RM5.2 billion at the close of the financial year. The Boustead Group is honoured to be part of the stable of investments of Lembaga Tabung Angkatan Tentera, one of the foremost provident funds in Malaysia.

Our Core Business**PLANTATION
DIVISION**

The Plantation Division is primarily involved in the cultivation of oil palm and the processing of crude palm oil. Over the years, this Division has also made its mark as a frontrunner in the research of oil palm tissue culture and genetics.

**PROPERTY
DIVISION**

The Property Division is involved in the development and investment of properties, management of projects and properties and hotel operations. Reflecting its active participation in the property sector, it has an extensive portfolio which includes popular residential and commercial developments as well as a successful chain of hotels.

**PHARMACEUTICAL
DIVISION**

The Pharmaceutical Division is driven by its core businesses, namely the manufacturing of generic pharmaceutical products, research and development, marketing and sales, warehousing, logistics, distribution of pharmaceutical and medical products as well as supply, trading and installation of medical and hospital equipment.



HEAVY INDUSTRIES DIVISION

The Heavy Industries Division is involved in the marine sector both from a commercial as well as a naval perspective. This encompasses shipbuilding, fabrication of offshore structures as well as the restoration and maintenance of vessels and defence-related products. The Division also has investments in the oil and gas and aviation sectors.



TRADING & INDUSTRIAL DIVISION

The Trading and Industrial Division owns and operates Malaysia's only other national retail petroleum network. This Division also engages in manufacturing and distribution of building materials.



FINANCE & INVESTMENT DIVISION

We have a strong portfolio of businesses within this Division, propelled by our investments in consumer banking, investment banking, Islamic banking and insurance. The Division also has investments in education, travel and shipping services as well as fast-moving consumer goods.

Chairman's Statement

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

Dear Shareholders,

Our mandate has remained resolute, which is to enhance and unlock the value of our diversified business streams in order to sustain profitability. This was all the more apparent during 2013 as we undertook a major corporate exercise, leveraging on our strengths while growing organically. On this score, your Group was able to deliver a higher profit before tax of RM708 million.

I am pleased to present to you our annual report for the financial year ended 31 December 2013.



Mutiara Rini Township, Johor

ECONOMIC LANDSCAPE

The global economy remains fragile. Parts of the Eurozone are still struggling from the previous years' financial crisis, while the United States of America is beginning to see early signs of a mild recovery. Asia, particularly China, continues to chug along albeit at a gradual pace.

The economic health of our nation remains intact as gross domestic product grew to 4.7% in 2013, primarily due to heightened private sector demand and improved exports. Domestic demand was a key driver during the year, along with robust private consumption and investment. This was supported by ongoing initiatives under the Government's Economic Transformation Programme, which is gaining momentum as our economy strengthens.

Although the major economic sectors remained resilient, growth was moderated by a weaker performance in the commodities sector as a result of lower production of rubber, palm oil and crude oil, which had an impact on businesses related to these sectors.

FINANCIAL PERFORMANCE

The Group registered a strong performance with a profit after tax of RM560 million for the year under review. The key contributor was the Property Division followed by the corporate exercise which unlocked gain for the Group. The other Divisions performed fairly, despite challenges in their various segments.

Earnings per share ended at 46 sen and net assets per share was RM5.06. Shareholders' funds stood at RM5.2 billion as at year end.

DIVIDEND

It is our intention to ensure that our loyal shareholders are rewarded with positive yields. This commitment is reflected in our dividend policy to deliver enhanced shareholder value via strong dividends.

The Group's dividend was 30 sen per share, a 5.3% yield based on the closing price for the financial year. To date, dividends totalling 22.5 sen have been paid out to shareholders. The remaining 7.5 sen will be paid on 31 March 2014 to shareholders on the register as at 17 March 2014.



We are fully supportive of the Government's objective to produce a highly skilled workforce, on par with international standards.



HUMAN CAPITAL

As we grow, we are cognisant of the importance of strengthening our existing workforce in order to propel the Group forward. We are fully supportive of the Government's objective to produce a highly skilled workforce, on par with international standards, to cater to the demands of Malaysia's expanding job market. This drive to elevate our nation's talent base is also clearly indicated as one of the key thrusts in the 2014 National Budget announcement, 'Inculcating Excellence in Human Capital'.

In line with this, as one of Malaysia's leading conglomerates, we have gone to great lengths to implement comprehensive human capital development initiatives on a holistic scale, balancing skills and capabilities with our core values and competencies. We remain dedicated to developing our talent pool, ensuring we are well prepared for the opportunities that lie ahead as we move up the value chain.



OUTLOOK

Initial signs for 2014 indicate a mildly improving global economy which should augur well for Malaysia. Fiscal discipline for the nation both from a Government and household perspective would be the order of the day in 2014. This will have a chain reaction on most of our businesses.

We are optimistic that there will be organic growth within our Divisions in the year ahead. Nevertheless, prudence and a stronger resolve will be needed for us to keep our targets in sight. We will be focused on exploring growth opportunities with a view to realising the Government's vision of a high-income economy.

ACKNOWLEDGEMENT

I would like to convey my sincere gratitude to our Board members for their invaluable expertise and guidance in steering the Group in the right direction. My deepest appreciation to our management and staff for their hard work and determination. Their ability to consistently rise to the occasion, regardless of what challenges we may face, is what enables us to move forward and stay ahead.

I would also like to thank our major shareholder, Lembaga Tabung Angkatan Tentera for their trust in us, along with our shareholders, financiers, business associates, consultants and the regulatory authorities for their support in helping us weather another year.

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

3 March 2014

_Chief Executive's Review**Dear Shareholders,**

We have once again proven our mettle by delivering strong financial results, both bottom and top line. Our core businesses remain intact, with robust growth from some Divisions while most other Divisions contributed positively.

We undertook a major corporate exercise during the year which has already benefitted our bottom line. This initiative complemented by organic growth has enabled the Boustead Group to weather volatile global economic patterns as well as the changing domestic landscape.

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

FINANCIAL PERFORMANCE

We delivered a strong profit before tax of RM708 million. This includes a one-off gain of RM137 million from the privatisation of Al-Hadharah Boustead REIT. For the year under review, we recorded a revenue of RM11.2 billion, a 14% increase from the previous year. Leading in profit contribution was our Property Division, followed by Trading & Industrial, Plantation, Finance & Investment and Pharmaceutical. The Heavy Industries Division was weighed down by a deficit of RM89 million due to a downward revision in profit margin for the Littoral Combat Ship project and cost overruns from ship repair projects.

Our financial health is strong and poised to grow even further, as the Group's best years are still ahead. Our balance sheet is in a good position, with shareholders' funds in excess of RM5.2 billion.

As a conglomerate, we apply equal and urgent attention to each of our investments to ensure that they contribute to our bottom line. On this score, our profit after tax came in at RM560 million, a 12% increase compared with 2012. On the back of these fundamentals, our shareholders have benefitted from another year of attractive dividends. Total dividend for the year is 30 sen per share, representing a total payout of RM310 million. Our gearing ratio is 1.1 times compared with 1.2 times in the previous year. Strong cash flows, sustained profits and growing turnover are cornerstones for a healthy company, and these attributes resound strongly within your Group.

Reflective of our performance, we met all our KPIs for the year.

KPI	Actual	Target
Return on Equity	9.7%	9.5%
Return on Asset	6.7%	6.5%
Dividend	30 sen	30 sen

Our Divisions have performed well organically. The star for the year was the Property Division which delivered a solid profit of RM215 million, a 34% increase from the previous year. The Division's profit contribution to the Group was 30%.

The Trading & Industrial Division saw a minor dip in profit to RM140 million, as a result of a lower gain on disposal of property. Despite this, we experienced strong growth led by Boustead Petroleum Marketing Sdn Bhd (BHPetrol) due to higher sales volume. The Division contributed 20% to the Group's profit.

The Plantation Division recorded a profit of RM131 million, representing a contribution of 19% to the Group. Admittedly, the Division was impacted by commodity prices which had a knock-on effect on the bottom line.

The Finance & Investment Division performed well, contributing 15% to the Group's profit. The key contributor to the Division was the Affin Group which Boustead has a 21% stake in.



_Chief Executive's Review

The Pharmaceutical Division recorded a profit of RM71 million, representing a contribution to the Group's bottom line of 10%. Despite the minor drop in profits, the Division is broadening its prospects, given the contribution to its profitability from strong growth in its non-concession business.

The Heavy Industries Division was impacted by a downward revision of profit margin for the Littoral Combat Ship project. We maintain that once this project shifts into full gear, the Division should be able to contribute to the Group's bottom line.

CORPORATE INITIATIVES

It was a historical year for us as we undertook the privatisation of Al-Hadharah Boustead REIT. We also had the honour of being the key proponent in Malaysia's only Islamic plantation REIT.

With the privatisation exercise, we were able to unlock value for the Group as we net a gain of RM137 million for the year under review. As we have communicated many times before, our vision is to unlock value, be it organically or inorganically. The privatisation is a reflection of a successful exercise in unlocking value.



An artist's impression of the Cochrane development

Our listed subsidiary, Pharmaniaga Berhad, sought to improve the liquidity of its shares via a share split exercise which was completed during the year. This entailed the subdivision of every one existing ordinary share of RM1 each into two ordinary shares of 50 sen each. In tandem with this, Pharmaniaga also concluded a bonus issue of new ordinary shares on the basis of one bonus share for every ten subdivided shares held.

We are firm believers that our balance sheet must at all times work positively for us. On this premise, we undertook a major fundraising exercise involving the establishment of a Junior Islamic Medium Term Note Programme of up to RM1.2 billion in nominal value. The programme is unique, as it entails the issuance of hybrid equity in the form of perpetual Junior Sukuk. This is indeed timely as the Group will be able to raise required funds as and when appropriate opportunities present themselves.

Over the years we have taken great pains to improve our corporate structure, particularly our varied investments. Our rule of thumb is not a complicated one – if an investment has potential, we will commit to re-invest in it. However if a particular investment does not have the potential to improve and contribute



to our bottom line in the long run, we will dispose of it. Towards this end, we have divested our stake in Asia Smart Cards Centre Sdn Bhd and closed down Boustead Emastulin Automobile Sdn Bhd.

In addition, as part of our efforts to improve performance and enhance efficiencies, we are scaling down the operations of some of the Group's smaller less profitable companies. We will continue to review this and divest in companies that see persistent losses or poor prospects. This is an ongoing exercise that we will undertake to ensure that all our investments remain meaningful.

OUTLOOK

The coming financial year holds much potential. We will undertake a significant corporate exercise with the listing of Boustead Plantations Berhad. We are actively working to meet internal deadlines and all regulatory requirements, and we are optimistic that this will see the successful listing of another listed subsidiary in our fold. We are confident that this exercise will expand the Group's prospects in the plantation sector, what more given our vast experience and strong track record in managing plantation assets.



_Chief Executive's Review

Though the plantation sector was impacted by depressed crude palm oil (CPO) prices in 2013, this was tempered in the last quarter of the year as CPO saw a gradual recovery which continued into the new year. Prospects are more optimistic for 2014 as market conditions have improved on the back of higher biodiesel mandates in Malaysia and Indonesia and a slump in palm oil stocks, which are expected to shore up CPO prices.

The property sector performed well in 2013. The new Real Property Gains Tax (RPGT) regime which takes effect 1 January 2014 and other cooling measures will have implications for the property sector in 2014 and beyond. We are confident that this will prove to be a move in the right direction for the industry, ensuring stable growth via proper fiscal management. The Government's intention to increase RPGT, particularly for gains on properties disposed within three years to 30%, should temper speculative buying especially in popular areas.

With this promising backdrop, the Property Division will remain a strong driver of growth for the Group as we move forward. Our Jalan Cochrane property development project has taken off, with construction having commenced in 2013. Targeted for completion by 2016, this will ensure the long-term sustainability of this Division with the establishment of a mixed development comprising retail, residential and commercial properties in a prime location in the heart of Kuala Lumpur.

In addition, we believe that the Government's initiative to promote the hospitality sector via the extension of the application period for Pioneer Status and Investment Tax Allowance incentives for another three years will have a positive bearing in terms of encouraging investments, particularly in new four and five-star hotels. We are confident that our chain of hotels will be able to reap the benefits of this.



In order to capitalise on Malaysia's booming healthcare industry, our Pharmaceutical Division is taking steps to expand the non-concession business which holds vast potential for growth. At the same time, we are pursuing new opportunities with the launch of our retail pharmacy business, RoyalePharma Pharmacy. With the success of our flagship outlet, we intend to expand and open more outlets in order to capture a wide network of consumers.

In our Trading & Industrial Division, BHPetrol has plans in the pipeline to grow its retail network with additional service stations. In line with these ongoing expansion efforts, four new stations have been completed and are set to open in the first quarter of 2014.



At our Finance & Investment Division, the Affin Group is optimistic that it will be able to complete the acquisition of HwangDBS Investment Bank Berhad by the second quarter of 2014, which will certainly bring about multiple benefits, enabling this financial services group to strengthen its position and improve its product offerings, while broadening its market base. We are confident that our other investments in this Division will support the growth of the Group as well.

The Heavy Industries Division will see better contributions as it progresses in the Littoral Combat Ship project. These initial phases are indeed crucial, as foundational and design elements must be exact and rigorous before proceeding to the fabrication stage.

With 2013 concluded, shareholders should take heart that despite the economic challenges and exceptionally volatile market conditions, your Group has worked hard to deliver impressive results. As we look to 2014, we will apply the same verve in order to keep up this momentum. Of course we are certain there will be challenges; what is important is how we overcome them and thrive in a competitive market, even with external and internal forces weighing down on our prospects.

We hope you will find the following pages informative as we review the six Divisions. Furthermore, given our role as one of the leading Government-linked companies in Malaysia, we are steadfast in our efforts to contribute to society. A summary of our corporate social responsibility initiatives is detailed herein, reflecting our dedication towards building a better nation for all Malaysians.

As we forge ahead, we remain dedicated in our commitment to deliver growth to our shareholders. To this end, we will not waver in our pursuit to unlock our potential and add value to our diverse stable of businesses.

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

3 March 2014

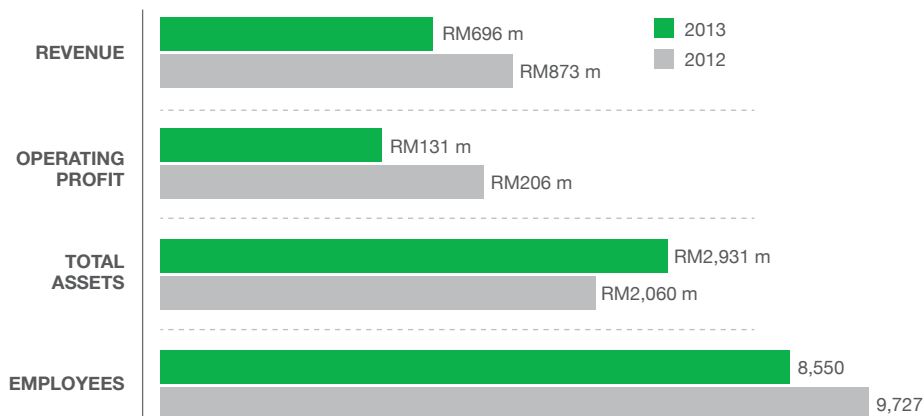


In Plantation

Our plantation assets provide a solid earnings base for the Group. Our upstream activities are located in Peninsular and East Malaysia. The Division also invests in substantial research and development with the aim of achieving higher yields.



PLANTATION DIVISION





_Chief Executive Review



The Plantation Division experienced a challenging year in 2013 impacted by depressed crude palm oil (CPO) prices and lower production which had a knock-on effect on profitability.

These conditions resulted in an operating profit of RM131 million for the year under review, a reduction from RM206 million in the previous year. Emphasising this point, our average CPO price for 2013 was RM2,353 per metric tonne (MT), a 19% dip from last year, while the average palm kernel price declined to RM1,284 per MT.



REVENUE

RM **696** million



PROFIT BEFORE TAX

RM **131** million

MARKET REVIEW

Commodities in general and CPO particularly bore the brunt of fickle world economic growth. This took centre stage as CPO prices were hit in the first three quarters of the year, trading within a narrow range of RM2,230 to RM2,485 per MT.

Negative factors that pulled down CPO prices included the abolishment of the duty-free CPO export quota along with historically high palm oil stocks. With global stocks reaching a record 11.6 million MT as of 1 January 2013, these burgeoning levels could not be absorbed by the market, particularly due to sluggish biodiesel production in several countries. Meanwhile, the global economic slowdown affected vegetable oil demand, which subsequently caused downward pressure on CPO prices.





Towards the tail end of 2013, CPO prices rebounded. Demand picked up due to lower than expected palm oil production in Indonesia, coupled with aggressive domestic mandates for palm biodiesel by Indonesia and Malaysia. Furthermore, the prospect of lower palm oil stocks drove CPO prices up to RM2,680 per MT in the fourth quarter. Albeit this positive turn of events, it was too late to prevent a drop in the Division's average CPO price for the year under review.

ESTATES AND MILLS

The combined land bank of the Group currently stands at 82,900 hectares (ha), compared with 80,600 ha in the previous year. The increase in land bank was mainly due to the acquisition of an oil palm plantation estate in Sabah. Total planted area under oil palm cultivation is 70,300 ha, comprising 65,000 ha of mature fields and 5,300 ha of immature fields.

Fresh fruit bunches (FFB) production was 1,043,000 MT, a 5% reduction from 1,100,000 MT in the previous year. The average FFB yield was 16.6 MT per ha (2012: 17.5 MT). Our Peninsular estates saw yields averaging at 19.9 MT per ha, a 5% decline from last year (2012: 20.9 MT). This was mainly due to a cyclical downtrend in yield which impacted the northern estates. Our Sabah estates recorded fair yields averaging at 17.4 MT per ha (2012: 17.2 MT).

Meanwhile, our Sarawak estates recorded low yields with an average of 11.4 MT per ha (2012: 13.6 MT). The Sarawak region was weighed down by disturbances in harvesting operations by land owners in Kelimut and Maong, as well as the native community in Bukit Limau.



The increase in land bank was mainly due to the acquisition of an oil palm plantation estate in Sabah.





The new tilting steriliser installed in Segaria Palm Oil Mill in Sabah



Utilisation of the Cantas cutter

Our ten palm oil mills processed a total of 1,142,000 MT of FFB (2012: 1,204,000 MT). The average oil extraction rate (OER) was 20.9% (2012: 20.8%) and the average kernel extraction rate was 4.6% (2012: 4.7%). The highest OER recorded for the year was at the Sungai Jernih palm oil mill with 23.4%, while the top performer in Sabah was the Segaria palm oil mill with 22.3%.

Palm oil production cost was RM1,436 per MT (2012: RM1,456) and FFB production cost was RM295 per MT (2012: RM302). The drop was due to cost optimisation measures, coupled with lower fertiliser prices. This enabled us to minimise the gap in terms of operational costs on a year-on-year basis. Milling cost for the year was slightly higher at RM59 per MT (2012: RM55).

We remain committed in our drive to improving production efficiency and minimising operating costs. In line with this, during the year we successfully commenced operations of a tilting type steriliser in our Segaria palm oil mill, which will facilitate the reduction of labour and operational costs.

We pursued mechanisation efforts via handheld motorised FFB cutters or CANTAS to harvest FFB from palms below 15 years of age. This has enhanced the productivity of our harvesters and reduced dependency on harvesting labour, resulting in an improved land labour ratio of 35 ha per harvester compared with 18 ha per harvester. In tandem with these efforts, we have integrated the use of motorised FFB cutters with mechanical bin system for evacuating FFB from the fields to the mills. Currently the use of CANTAS is restricted to flat and undulating terrain.

In addition, we have utilised 60 units of graphite harvesting poles to harvest taller palms which exceed a height of 14 metres, improving productivity by 15%. This is currently being assessed for wider application. We have also implemented mechanical fertiliser spreaders for manuring suitably undulating mature areas. We are also utilising control droplet applicators along with power sprayers for control of weeds, pests and diseases.