

# GROWTH in DIVERSITY



Boustead Holdings Berhad  
(A member of LTAT Group)

ANNUAL REPORT 2007

Boustead Holdings Berhad 3871-H

GROWTH IN DIVERSITY

Annual Report 2007

**BOUSTEAD HOLDINGS BERHAD** 3871-H  
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# chairman's statement



# 2007

**Dear Shareholder,**

**It has been an eventful year for Boustead Holdings Berhad given that we achieved significant milestones. We remain true to our vision of achieving growth, enhancing shareholder value and striving for excellence.**

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



Evidenced by our focused approach in capitalising on our strengths, seizing opportunities and driving our corporate exercises, I am pleased to present to you our annual report for the year ended 31 December 2007.

A reflection of how we have managed these internal and external developments is reflected by our performance as the Group registered a significant increase in pre-tax profit to RM829 million in comparison with the previous financial year's RM386 million.

### **ECONOMIC LANDSCAPE**

In today's business environment, there is no question that economic developments that affect a particular nation, especially one like the United States, could leave an impactful mark on the rest of the world.

Nevertheless, despite the softening of the US economy as a direct result of its sub-prime crisis, the global growth outlook was spurred by emerging economies, namely China, India, Brazil and Russia.



## CHAIRMAN'S STATEMENT

On the home front, our nation remains a key participant in the global economy and the Government continues to play its role in developing the economy, particularly with the Ninth Malaysian Plan, prudent Budget measures and strategic sectoral initiatives.

The unveiling of the economic regions, namely the Iskandar Development Region, Northern Corridor Economic Region and the Eastern Corridor Economic Region is a step in the right direction to improve both domestic and foreign direct investments.

With the positive outlook of our national economy, complemented by the Group's clear strategy and solid plans, we are confident of seizing opportunities and pursuing excellence in all segments of our businesses.

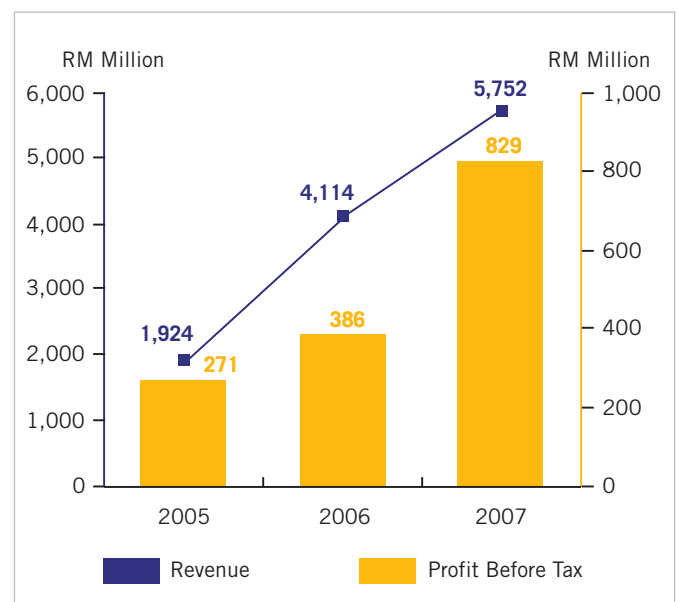
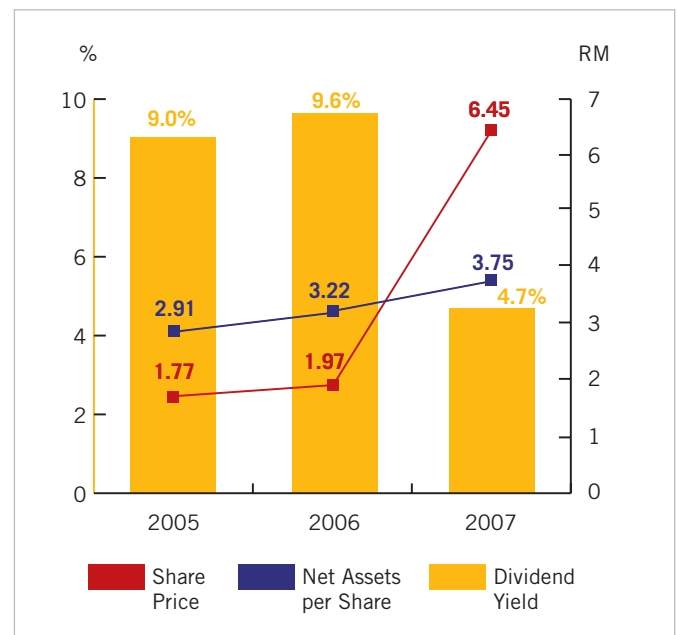
### FINANCIAL PERFORMANCE

Our Plantation and Heavy Industries Divisions set the pace in terms of delivering profits for the Group. This was complemented with sustained earnings via our Property, Finance & Investment, Manufacturing & Services and Trading Divisions.

We closed the year on a very high note registering a profit after tax of RM655 million signifying a jump of 87% compared with RM351 million recorded in 2006.

Profit attributable to shareholders was RM478 million (2006: RM210 million) while earnings per share ended at 79 sen (2006: 35 sen) and net assets per share was RM3.75 (2006: RM3.22).

Shareholders' funds stood at RM2.4 billion for the year ended 31 December 2007 as compared with RM1.9 billion in the previous year. We have also seen a rise in our market capitalisation and share price on a year-on-year basis.



I am also pleased to note that our ability to further develop our current businesses while identifying and expanding into new sectors have clearly borne results. Our Plantation Division, a traditional business of the Group, and our Heavy Industries Division, our latest addition in terms of business focus, have contributed 70% of our profits this year.

### **DIVIDEND**

Boustead Holdings Berhad has a solid reputation as a good dividend stock over the years. Staying true to our commitment to deliver value to our loyal shareholders, this year will see the highest total dividend payout of 60% or 30 sen per share compared with 37% or 18.5 sen per share last year. This includes a proposed final dividend of 16% and a bonus dividend of 20%.

### **CORPORATE SOCIAL RESPONSIBILITY**

The Boustead Group does not operate in isolation and is very much aware of its responsibility to both shareholders and the community at large. As we drive earnings up, we are committed to deliver good Corporate Social Responsibility (CSR).

Given the fact that we do not exist on the margins of corporate Malaysia but have a tangible stake in the Malaysian economy, we have taken firm and thorough initiatives to improve our CSR objectives.

In tandem with the Silver Book framework introduced as part of the Government's GLC Transformation Programme, we have developed and introduced the Group's inaugural CSR Policy. Our policy outlines the way forward in our obligation to the Malaysian Armed Forces as well as the communities closely associated with the Group.

During the year, we continue to contribute to various education, social and welfare programmes for members of the Armed Forces and their families. One of these initiatives is our annual contribution to Yayasan Warisan Perajurit, which is a foundation established by members of the Lembaga Tabung Angkatan Tentera Group of Companies to assist in the education of children and disadvantaged members of the Armed Forces. Contributions were also channelled towards improving the quality of life for retired and needy Armed Forces personnel.

We have also extended our reach to East Malaysia, by undertaking a land development project in Sarawak together with relevant state bodies. This Native Customary Rights land development project has shown positive results by improving the economy of participating landowners as well as for the community at large.

The Group continues with its environmental management best practices. To this end we own and operate a unique automated and mechanised composting process designed to use empty FFB to produce organic fertiliser. This 'zero-waste zero-discharge' plant which is under construction, known as the Boustead Biotherm Palmass Process is located at our Teluk Sengat estate in Johor.

We have also committed ourselves to a more progressive stance given that we are a founding member of the Roundtable of Sustainable Palm Oil (RSPO). This environmentally prudent initiative will ensure that we stay steadfast to good agricultural practices which are founded on the tenets of the RSPO. We have already taken steps to initiate self assessment programmes to ensure that we remain an environment conscious oil palm grower as the environment cannot be taken for granted.

## CHAIRMAN'S STATEMENT

### HUMAN CAPITAL DEVELOPMENT

At Boustead, we truly believe that people are our best asset to help us attain our objectives. Staying true to our philosophy of 'Towards Achieving a Culture of Excellence', we go to great lengths to provide our people with the necessary skills and training to ensure they reach their potential.

The Group conducted numerous training and development programmes in 2007, varying from personal development to those that focused on building competencies. One such example was the 'Blue Ocean Strategy Programme' which was introduced to our management team with the hope of encouraging strategic and creative thinking.

Recruiting the right talent proved to be another key area, as we appointed top graduates to join our Management Trainee Programme. This programme was developed to prepare trainees to embrace the working culture at Boustead and to impart knowledge to them.

We are pleased to announce that in March 2007, Boustead was appointed an authorised training organisation for the Institute of Chartered Accountants in England and Wales to train students to qualify for this prestigious qualification.

Succession planning has become a priority area with regards to human capital development particularly for senior and middle management leadership. We will continue on this course given the fact that the Group is insistent on ensuring future growth.

### OUTLOOK

While uncertainty in the global economy will echo throughout the year, the economic indicators in Malaysia have shown that we are poised for further progress. Although there are concerns on the rise in oil prices, it should be noted that this is based on increasing demand which can only translate into stronger growth.

2008 will certainly be a challenging year, amidst the economic crisis faced by the United States that may have spill-over effects on our country. In spite of these concerns, Malaysia will prosper thanks to our strong economic fundamentals, which have the objective of producing another year of growth.

### ACKNOWLEDGEMENT

The success enjoyed by Boustead Holdings Berhad is certainly attributed to a large pool of dedicated and talented individuals. On this score and on behalf of the Group, I wish to express my deepest gratitude to the management team and our employees for their unwavering support and commitment.

My appreciation to our shareholders, financiers, business partners, consultants and relevant approving authorities who have graciously co-operated with us to achieve our goals.



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

Chairman

29 February 2008





*Biotherm palm oil plant at Teluk Sengat, Johor*



*Management trainees*



*CSR – Pintar programme*

# Chief Executive's Review



**Dear Shareholder,**

**We have exceeded our targets. Suffice to note, the year has been filled with exciting opportunities, meaningful developments and most importantly, significant results.**

**TAN SRI DATO' LODIN WOK  
KAMARUDDIN**  
Group Managing Director



While it is natural for the Group to be faced with challenges in each passing year, I am glad to add that not only have we succeeded in overcoming them, but we have also found avenues to transform them into potential areas for growth. Overall, our constant drive for excellence has had a positive impact on all aspects of the Group.

### **FINANCIAL PERFORMANCE**

Our profit contribution this year is strong. The commitment to remain in the plantations sector and our ability to develop our latest and largest profit contributor, the

Heavy Industries Division, is proof that we are both a Group that is rich in business tradition and young in exploring new businesses. Having registered a pre-tax profit of RM829 million that far exceeds any other year, we have also surpassed our key performance indicators (KPI) for Government-Linked Companies (GLC).

KPI	Actual	Target
Return on Equity	22.3%	7.2%
Return on Assets	13.4%	7.0%
Dividend	60%	32%

## CHIEF EXECUTIVE'S REVIEW

With our expansion drive, our gearing has increased to 1.4 times as we have acquired more assets and increased our borrowings in order to take a stronger position in new businesses. The Board is aware of this, and we are taking measures to reduce our current gearing to a more acceptable level in relation to our growth strategy.

Our Heavy Industries Division has gone through a difficult journey these last few years. We have built today a Division that is at the forefront of the maritime sector providing solutions that will have ongoing results.

Our Plantation Division is doing very well with the current bullish market. I am confident that our average CPO price of RM2,279 per MT for the year will be breached in the coming financial year, given thinning supply and growing demand. This will motivate us to search for ways to improve our yield and strengthen our production capacity.

The Property Division has surpassed its targets. We are confident the property investment sector as well as our property development plans in our existing townships and greenfields will boost earnings for this Division in the long term.

Our Finance and Investment Division recorded a significant milestone with the successful entrance of the Bank of East Asia (BEA) into the Affin Group. This largest independent bank based out of Hong Kong with more than 200 branches worldwide, is set to boost Affin's leverage on the international banking scene while gaining from this alliance locally.

The Trading as well as Manufacturing & Services Divisions have performed satisfactorily and we will do much more to improve our return on investment in these Divisions.

### CORPORATE INITIATIVES

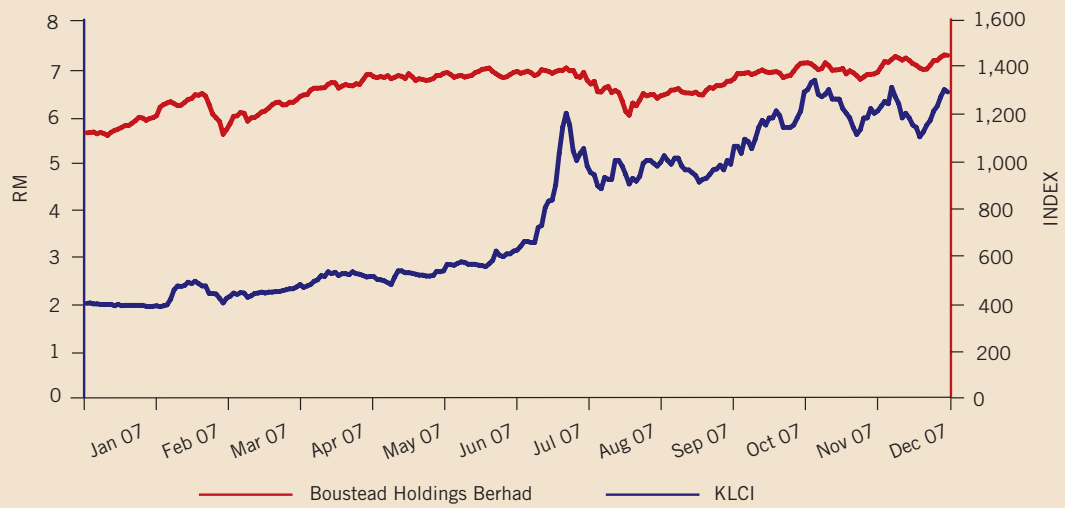
At Boustead, we believe that it is only with change and growth, can we truly be able to reach our full potential. In tandem with this belief and our vision to strengthen our earnings, we have taken steps to grow our investments, restructure our ailing entities and when necessary discontinue businesses that do not contribute.

A notable initiative for the year was the successful listing of Malaysia's only Islamic plantation real estate investment trust in the capital market. The Al-Hadharah Boustead REIT is a reflection of how we have unlocked value while maintaining our plantation business. In its first year of operation the REIT has registered a significant profit of RM49 million and achieved a distribution to unitholders of 10.91 sen representing a yield of 11% over the IPO price.

We have improved the structure of our Finance & Investment Division having injected our investment in Boustead Naval Shipyard Sdn Bhd (BN Shipyard) and what was PSC Industries Berhad, now known as Boustead Heavy Industries Corporation Berhad (BHIC), into a new Division called Heavy Industries. More importantly, BHIC and BN Shipyard are on their way to focus on growing their respective businesses after we have put in place a solid balance sheet and positive shareholders' funds.



## SHARE PRICE MOVEMENT – 2007



## CHIEF EXECUTIVE'S REVIEW

At the same time, we have acquired a majority stake in Royal & Sun Alliance Insurance (M) Berhad and renamed it BH Insurance (M) Bhd giving us the opportunity to grow the business. We are now in a position of strength to determine what we shall do with our various insurance businesses both at the Boustead and Affin levels.

Over the years UAC Berhad has been a constant positive contributor to our earnings. We finally did what was an obvious progression by increasing our shareholding here and including this listed entity as a subsidiary.

We are clear that non-performers will not have a role in Boustead. With this, we have brought about a closure of Boustead Emasewa Sdn Bhd and the scaling down of the automobile division of Boustead Emastulin Sdn Bhd. We have also reached an agreement for the disposal of our less profitable plantation assets in Indonesia.

### OUTLOOK

I am confident that our core Divisions will continue with this momentum. Our Plantation Division still enjoys the sustained trend of increasing demand for palm oil. Industry experts remain optimistic that CPO prices are expected to trade at exceptionally high prices, given that it has surpassed RM4,000 per MT in 2008.

Heavy Industries is set to increase its scope in the maritime sector as we expand our ability to provide diversified solutions to three major streams of clientele namely naval and commercial ships as well as luxury yachts.

The Property Division will keep up its growth by focusing on all areas of this Division. In particular, we look forward to the launch of a 300 unit condominium project in Mutiara Damansara.

As for our Finance and Investment Division, we are in the midst of improving its structure, strengthening its core businesses while aiming for greater market share in the consumer, investment and Islamic banking segments.

The Trading as well as Manufacturing & Services Divisions will provide us with constant contribution as we review our business models here and improve its ability to contribute more significantly to the Group.

As I have noted on countless occasions, we are a Group that is aware of our obligation to enhance shareholder value. We trust the year under review had a significant impact towards this end.

It is my pleasure to present our detailed review on how each Division has performed. I am certain that these reviews will provide you with a clearer understanding on the progress and achievements of the respective Divisions. Thank you for remaining with us and we look forward to a better year ahead.



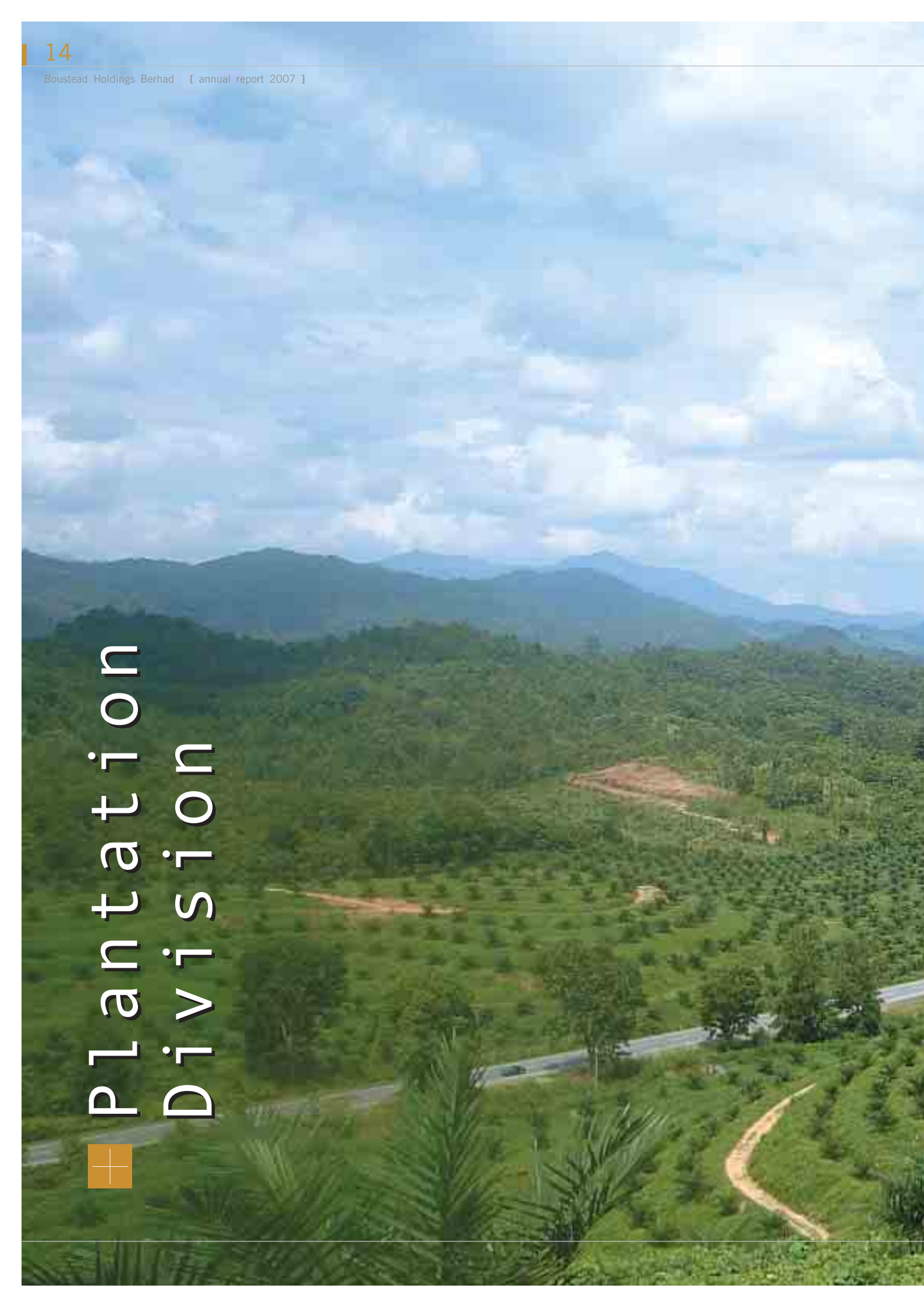
**TAN SRI DATO' LODIN WOK KAMARUDDIN**

Group Managing Director

29 February 2008







# Plantation Division

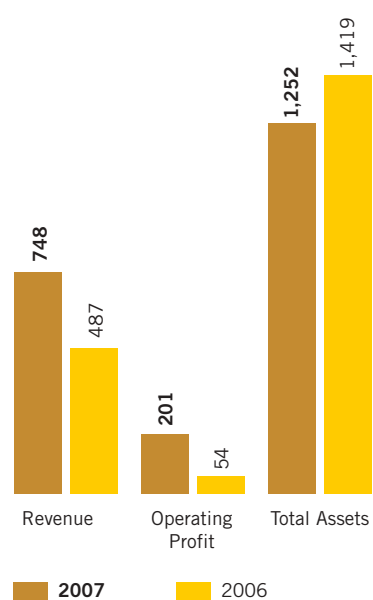




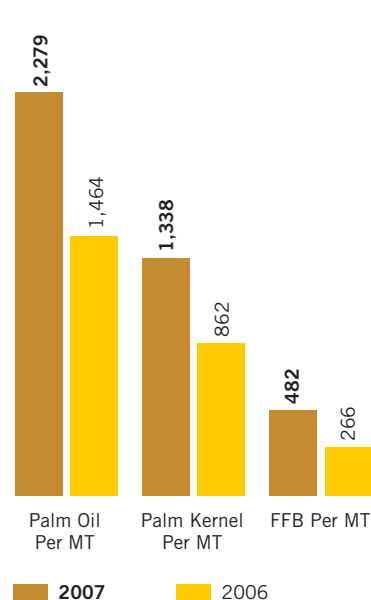


## PLANTATION DIVISION

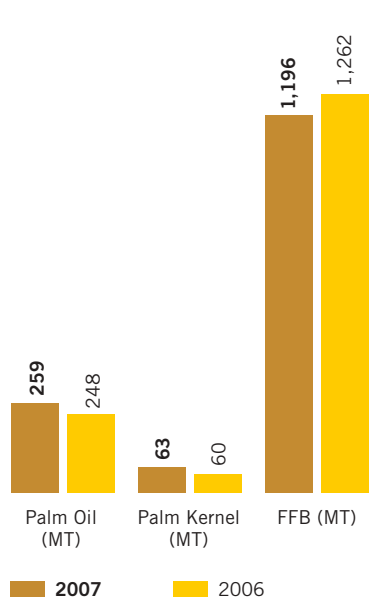
Financial Highlights (RM Million)



Average Price (RM)



Production ('000)



Planted Area



Employees







*AAR's tissue culture lab at Ijok*



*Teluk Sengat Mill, Johor*

## PLANTATION DIVISION

The Division recorded a significant rise in profit amounting to RM201 million compared with last year's RM54 million. The second half of the year especially the tail end, saw CPO prices rising to historic highs of above RM3,000 per MT. We are confident the usage, popularity and benefits of palm oil will have an undisputable impact on our earnings moving forward.

### MARKET REVIEW

Across developed economies, palm oil is gaining popularity given the fact that it does not carry any trans fatty acids. This factor has adversely affected soyoil, which is the current dominant vegetable oil in developed markets. Its popularity is in sharp decline as consumers demand a healthier alternative to trans fat in food applications.

Traditional vegetable oils are increasingly being converted into biofuel, such as corn oil into ethanol and soyoil into biodiesel. Consequently, with wheat and soy bean competing with corn to secure acreage globally, we have no doubt that palm oil will emerge as a clear winner due to its competitive pricing. This will certainly benefit palm oil, given its usage as a popular and healthier edible oil.

This trend to remove trans fat in food applications has enabled Malaysia to increase its palm oil exports to the US by 16%. Additionally, China and the United Arab Emirates have not let up on its pressing demand for palm oil, with exports growing by 7% and 17% respectively.

The Division recorded an average gross CPO selling price of RM2,367 per MT over last year's RM1,514 per MT. This translates into a net selling price of RM2,279 per MT (2006: RM1,464 per MT).

### ESTATE AND MILL OPERATIONS

Total land bank under our management was 103,150 hectares (ha) of which area under oil palm cultivation was 76,172 ha. Our prime mature fields increased by 5,895 ha to 62,521 ha. The total mature and immature areas were 70,014 ha and 6,158 ha respectively.

Fresh Fruit Bunches (FFB) production was 1,196,000 MT, a 5% drop compared with last year, due mainly to the cyclical downward trend following the bumper yield in the previous year as well as adverse weather conditions.

As fossil fuel traded close to the USD100 per barrel mark, it had an impact on our operating cost, particularly on transportation, fertiliser and infrastructure expenditure. Production cost for the year increased marginally to RM180 per MT of FFB, compared with last year's RM178 per MT. Additionally, labour cost is rising as this is linked to CPO prices which are on an upward trend.



At Boustead, we are aware of the need to cap cost at all our plantations. With the execution of the precision farming technique, our focus and accuracy in the application of fertiliser and management of other inputs, help reduce our costs.

A noteworthy tool is our very own in-house Boustead-Applied Agriculture Research Management Information System (BAARMIS) Map Management System which assists us in assuring our yield improvement and cost efficiency programmes are on track.

Our usage of clonal palm oil material is in full swing and the role of *Applied Agricultural Resources Sdn Bhd* (AAR), our 50% associate company has become all the more pertinent and appropriate. The use of clonal materials can result in a 20% increase in oil yield.

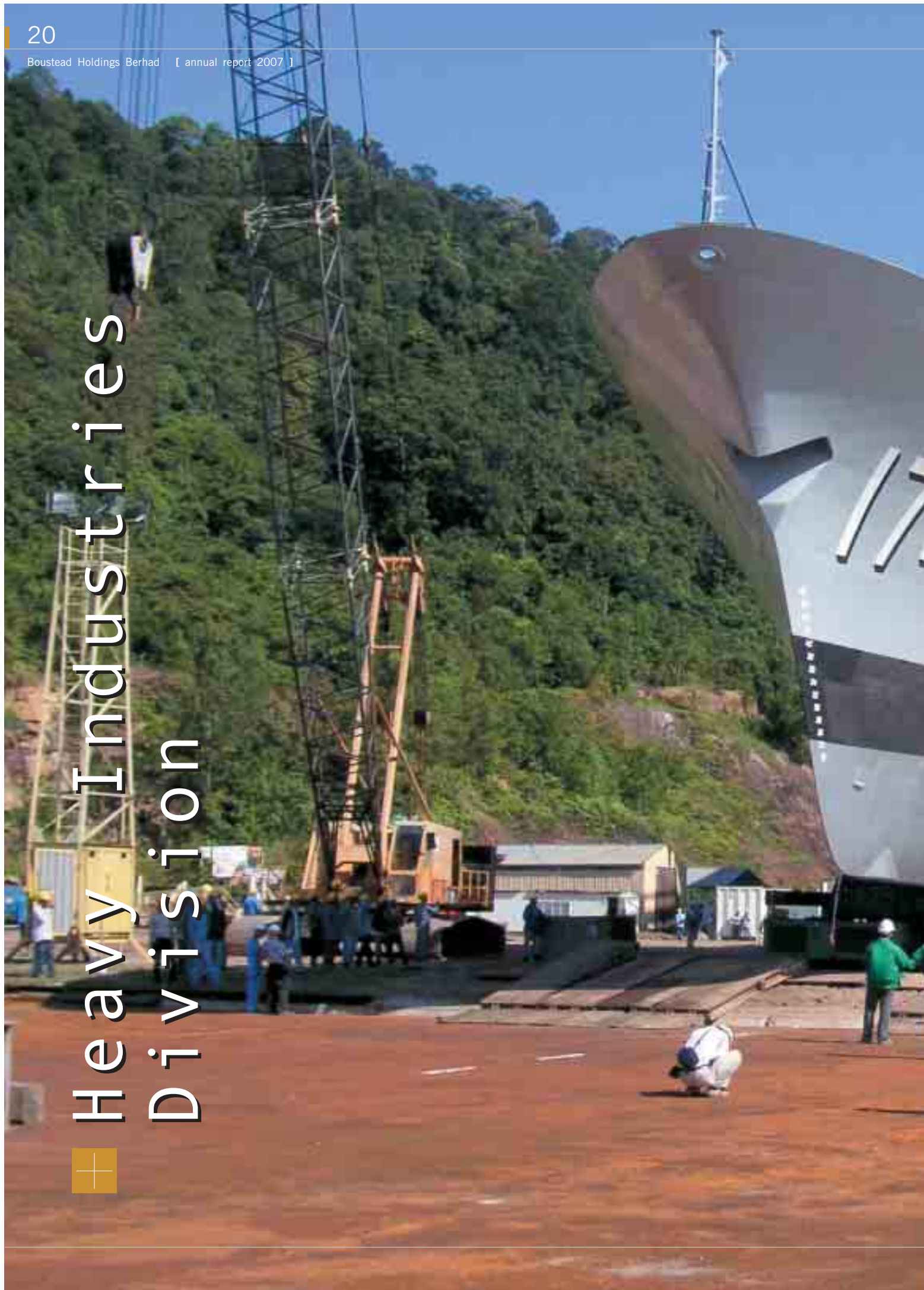
Our eleven mills processed a total crop of 1,297,000 MT achieving 92% of the budget. We achieved an oil extraction rate of 19.9% down from last year's 20.1% while our kernel extraction rate was maintained at 4.9%.

## OUTLOOK

We will continue to strive to reduce cost while enhancing yield through the implementation of effective and efficient processes. One such effort is a complementary module using the BAARMIS data to determine the profitability margin of each planting block as part of our precision agriculture programme.

Industry experts are positive on the current bull run as demand will outstrip supply. However, forecasting future prices is a complex process dependant on variables such as weather, labour constraints and trade barriers. On this score, we will adopt a flexible marketing policy through forward and spot sales strategy to enhance our earnings.

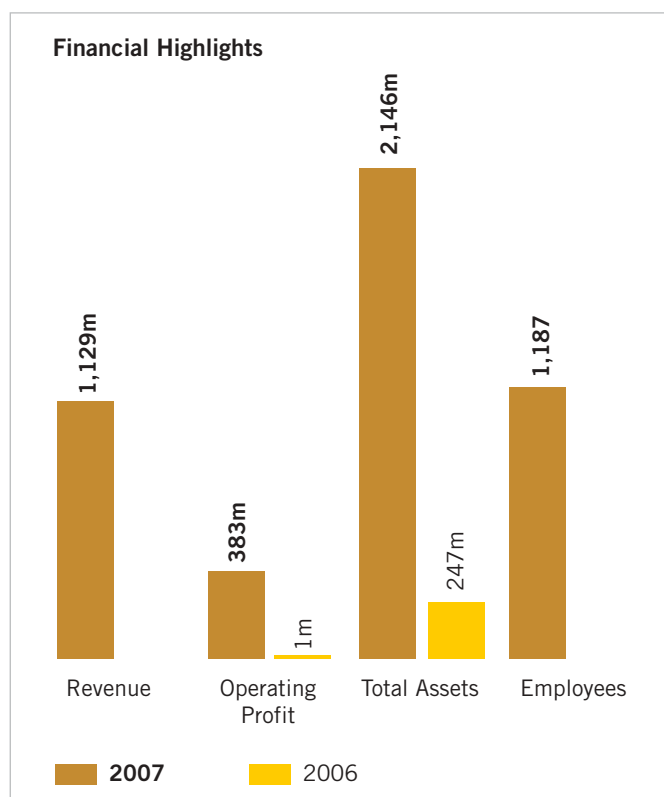
# Heavy Industries Division







## HEAVY INDUSTRIES DIVISION



The Division registered a profit of RM383 million. Its primary thrust is in the shipbuilding, fabrication of offshore structures as well as repair and maintenance of vessels and equipment.

In 2007, significant and meaningful steps were taken to consolidate our shareholding in the various businesses of this Division. We have also undertaken a restructuring exercise to improve the balance sheets of the relevant entities and strengthened our human capital skills with a view to build on the successes achieved to date.

### BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD

This listed subsidiary is now primed for growth. Upon completing the debt settlement of RM540 million and its restructuring prior to re-listing, it undertook a rights issue of shares which raised RM70 million in working capital. Its negative shareholders' funds of RM491 million returned to positive territory of RM210 million pulling this once ailing company out of PN17 status.



▲ The launching and naming of **Terengganu** by DYMM Seri Paduka Baginda Raja Permaisuri Agong, Tuanku Nur Zahirah in the presence of DYMM Seri Paduka Baginda Yang Di-Pertuan Agong, Tuanku Mizan Zainal Abidin; DYMM Sultan Sharafuddin Idris Shah, Sultan of Selangor; YAB Dato' Sri Haji Mohd. Najib Tun Haji Abdul Razak, Deputy Prime Minister; YAB Dato' Mahdzir Bin Khalid, Menteri Besar Kedah and other distinguished guests.

▶ The launching and naming of **Perak** by DYMM Raja Permaisuri Perak Tuanku Bainun bin Mohd. Ali in the presence of DYMM Paduka Seri Azlan Shah, Sultan of Perak; Duli Yang Teramat Mulia Raja Muda Perak, Raja Dr. Nazrin Shah; YAB Dato' Sri Haji Mohd. Najib Tun Haji Abdul Razak, Deputy Prime Minister; YAB Datuk Mohd Tajol Rosli Mohd Ghazali, Menteri Besar Perak and other distinguished guests.





## HEAVY INDUSTRIES DIVISION

BHIC delivered an operating profit of RM25 million before share of profit from BN Shipyard and waiver of debts by financial institutions, compared with a loss of RM91 million suffered in the previous year. Its turnaround can be principally attributed to the enhancement in revenue, reduction in costs, improved productivity, interest savings due to reduced level of borrowings and disposal of non-core assets.

It currently has an outstanding order-book of more than RM500 million, with a further upside given that its ample yard space will capitalise on rising demand in shipbuilding, fabrication of offshore sub-structure and marine engineering construction.

Its Penang Shipyard at Pulau Jerejak is currently busy with contracts involving chemical oil-tankers and an anchor handling tug and supply vessel. We are confident of strengthening our capacity to seize opportunities for fabrication of offshore structures for the oil and gas industry. Also, our yard at Tema in Ghana, offers positive opportunities to grow our expertise in the oil and gas sector catering to the West African region.

### BOUSTEAD NAVAL SHIPYARD SDN BHD

BN Shipyard registered an excellent profit of RM380 million and the key contributing factor was the revision of contract value of identified projects which have been revived.

The four petrol vessels (PV) with a contract value of RM2.6 billion are now at various stages of progress. We successfully launched and named two patrol vessels namely Perak and Terengganu during the year. These vessels are currently undergoing final outfitting prior to harbour acceptance testing, sea acceptance and life firing trials. Deliveries to the Royal Malaysian Navy (RMN) are scheduled at the end of 2008 and early 2009. Of significant mention is the fact that these PVs were built by Malaysians in our local shipyards. This reflects our growing capability as a leading Malaysian shipbuilder which is focused on delivering quality ships.

More importantly we have in place today an efficient, effective and skillful network of local vendors and original equipment manufacturers to sustain our impetus. Our PVs have also been carefully tailored to meet the needs of the RMN and amongst its many unique aspects is the fact that the PVs are able to accommodate male and female officers and are equipped with modern combat systems.

BN Shipyard is also actively involved in participating and tendering for commercial projects. In hand is a RM41 million contract for the engineering, construction, testing and delivery of an anchor handling tug supply vessel as well as the construction of a RM53 million high-end luxury vessel hull.









# Property Division

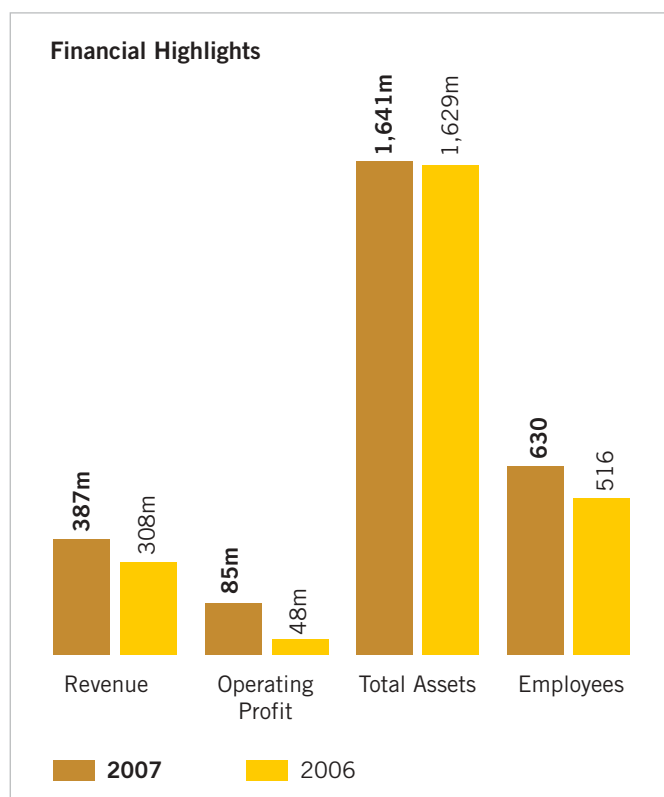








## PROPERTY DIVISION



The Property Division maintained its role as a strong contributor to the Group's bottom-line with a profit of RM85 million, a 77% jump against RM48 million last year.

### PROPERTY DEVELOPMENT

Our 'Mutiara Homes', the brand name for all houses built by Mutiara Rini Sdn Bhd, set the pace by registering a profit of RM53 million. In Mutiara Damansara, 2007 saw the launch of 98 super-linked homes, 78 semi-detached homes and 9 bungalow units. The gross development value for these new offerings were in excess of RM300 million and we are pleased to note that the response was very encouraging.

We continue to see strong demand and appreciating value for our remaining land bank in this highly sought after area given the infrastructure and aesthetics that have been invested in Mutiara Damansara. We are confident we will be able to enhance the yield further from the remaining land bank over the next few years.

Appealing to urbanites and currently registering strong capital appreciation in the secondary market, our 376 units of Surian Condominiums have been handed over to homeowners.



## PROPERTY DIVISION

We are confident that the construction of Surian Tower, a high rise state of the art office complex when completed, will not only be an iconic structure in Mutiara Damansara but will also have a significant impact on the overall office market outside the city centre.

As for Johor, the Group launched a total of 612 terrace homes and shop lots in Taman Mutiara Rini during the year. The launch of Phase 2F in particular, which consists of 104 units of double storey terrace homes, achieved an 80% take-up on launch day.

Taman Mutiara Rini is expected to benefit from its location within the growth region of the Government's Iskandar Development Region (IDR), as investments as much as RM4 billion are expected to be pumped into the IDR to create new jobs, opportunities and houses for this southern gateway.

In 2007 commenced the construction of a 43-unit low-rise condominium in Jalan Ampang, which will be leased to generate recurring income given that prices of properties surrounding the Kuala Lumpur city centre has surpassed RM2,000 per sq.ft.

The Property Development Division is embarking on a redevelopment project of the Weld Quay landbank in Penang into a 300-room 'Royale Bintang' hotel. Looking ahead, we expect this property to benefit from the Northern Corridor Economic Region.

We are also developing a mixed residential township in Semenyih adjacent to the University of Nottingham in Malaysia, which has the potential to become another thriving township.

### PROPERTY INVESTMENT

We are pleased to inform our investments particularly Menara Boustead and Wisma Boustead, as well as Menara Affin in Kuala Lumpur and Menara Boustead Penang, maintained a steady rental income for the Group.

To ensure its on-going appeal, we have embarked on a major refurbishment exercise of two of our landmark properties - Menara Boustead and Wisma Boustead. We expect not only to retain, but to attract high-quality tenants in search of strategic locations in the central business district of Kuala Lumpur.

The increasing popularity of the Curve as a leading suburb shopping mall is demonstrated by its current occupancy rate of 92% and its visitor traffic exceeding 23 million for the year. To maintain our lead, we are improving specific areas at the Curve with a view to increase number of daytime visitors and enhance business for our tenants.

Cineleisure Damansara also saw improved occupancy during the year with the opening of its audio/visual tunnel and the addition of two more cinemas to the existing ten.

Our hotels, namely Royale Bintang Damansara and Royale Bintang Kuala Lumpur, performed remarkably well. These hotels recorded a pre-tax profit of RM9 million on the back of a turnover of RM39 million, which was an improvement in pre-tax profit of 68% compared with last year. In addition we have taken over the management of the Royale Adelphi Hotel (formerly the Hilton Seremban), which has since been renamed the Royale Bintang Seremban.





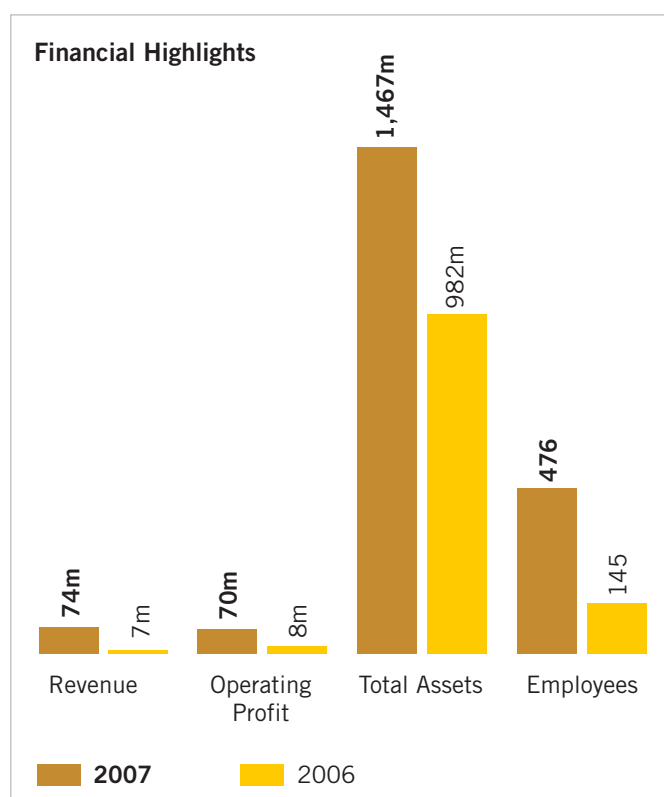
Menara Boustead, Penang



# Finance & Investment Division







This Division undertook significant corporate initiatives, with a view to further strengthening your Group's position in the banking and general insurance sectors.

We achieved a profit of RM70 million compared with last year's RM8 million. This was attributed to earnings from BH Insurance and improved performance from the Affin Group. The purchase of additional shares in our listed subsidiary Boustead Properties Berhad at prices below its fair value had brought a gain of RM38 million.

**Affin Holdings Berhad** (Affin Group) remained the primary contributor to the Division's overall profit by closing the year with a pre-tax profit of RM353 million on the back of a turnover of RM2.18 billion;

a notable improvement of RM39 million or 12% over the previous financial year. The improved performance was due to positive contributions across the Affin Group's core businesses.

As the Affin Group evolves to become a total solutions provider, plans are in place for the formation of three core banking entities namely Affin Bank Berhad, Affin Investment Bank Berhad and Affin Islamic Bank Berhad. These three entities have been structured under Affin Capital Sdn Bhd which in turn is wholly-owned by Affin Holdings Berhad. This would position the three banking entities to move forward as a universal banking entity providing a comprehensive and seamless range of products and services. Affin Group would benefit from the synergy and cost optimisation that will arise from this development.

## FINANCE & INVESTMENT DIVISION

Remaining on course to further enhance operational efficiencies and reduce non-performing loans (NPL) ratio, *Affin Bank Berhad* achieved a pre-tax profit of RM251 million (2006: RM218 million).

Affin Bank's initiative to roll-out programmes aimed at restructuring overdue loans and assisting loan holders in clearing their long-term loans have proven to be successful. The Bank recorded a higher loan recovery during the year despite provisions of RM227 million in relation to NPLs aged 5 years and above. At the close of the financial year, the Bank's net NPL ratio had improved significantly to 8.25%.

In tandem with Affin Bank's improved position, the bank embarked on a rebranding initiative to effectively position itself as a medium-sized bank of prominence based on the brand promise of '*Banking without Barriers*'. Additionally, BEA's stake in the Affin Group will enable the bank to leverage on BEA's expertise and international reach.

*Affin Investment Bank Berhad* was formed through the merger of Affin's stock broking and Affin Merchant Bank and is today a one-stop investment banking group. During the year it recorded a pre-tax profit of RM62 million with a strong contribution from its stock broking business as a result of a bullish stock market. With this consolidation Affin Investment's human capital resources have been strengthened, and this business is poised to offer innovative and successful corporate finance, fund raising and capital market solutions to its broad range of clientele.

*Affin Islamic Bank Berhad* (Affin Islamic), which was established in April 2006, registered an encouraging pre-tax profit of RM58 million. With backing from both corporate and consumer banking, its total financing grew by 41% compared with the previous year. Aligned with the upside in finances, total assets rose by 50% whilst, total customer deposits increased by 85% recording a high of RM6.3 billion and RM5.8 billion respectively.

Towards the tail end of 2007, Affin Islamic obtained the right to establish an International Currencies Business Unit from Bank Negara Malaysia. This timely approval will enable the Group to achieve its business plan and strategies that encompass developing new products, moving into new territories, developing human capital talents and fostering strategic relationships.

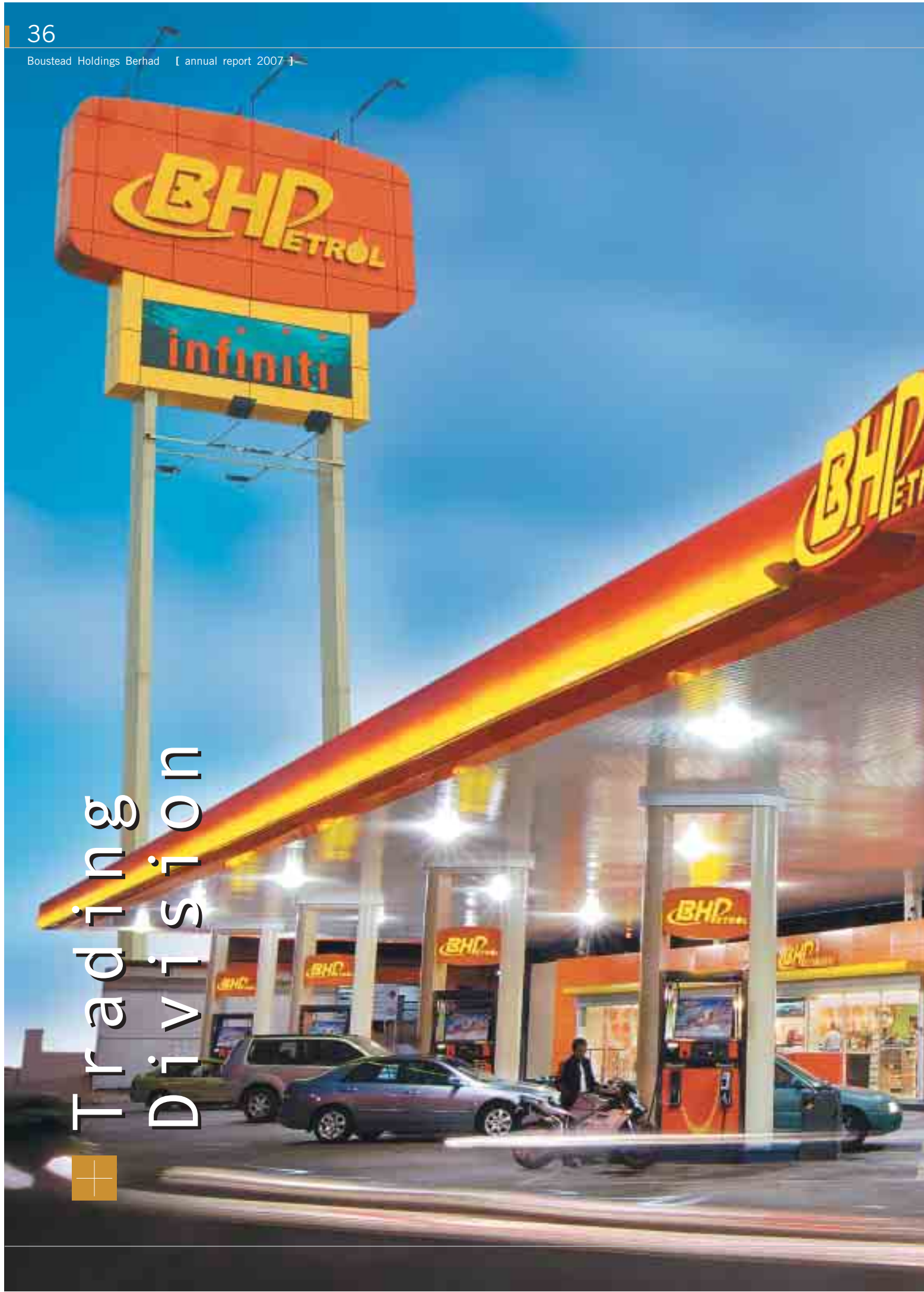
**BH Insurance (M) Bhd** (BHI) recorded a pre-tax profit of RM44 million for the year, with investment profit increasing by 8% to RM25 million and its broking and agency sectors contributing a 14% growth. This subsidiary improved in operational efficiencies with a view to enhance underwriting, risks and claims management competencies. It also broadened its product range and adopted an electronic agent system to support its motor and non-motor businesses while intensifying efforts to expand into other classes of insurance such as Directors & Officers and Professional Indemnity policies. Since becoming a subsidiary of the Boustead Group, BHI's objective to diversify its business is in line with plans to tap into new premium opportunities that will enhance profitability.

**Boustead Credit Sdn Bhd** recorded an improved profit due to strict credit control policies that are complemented with its expertise in catering to its niche market.





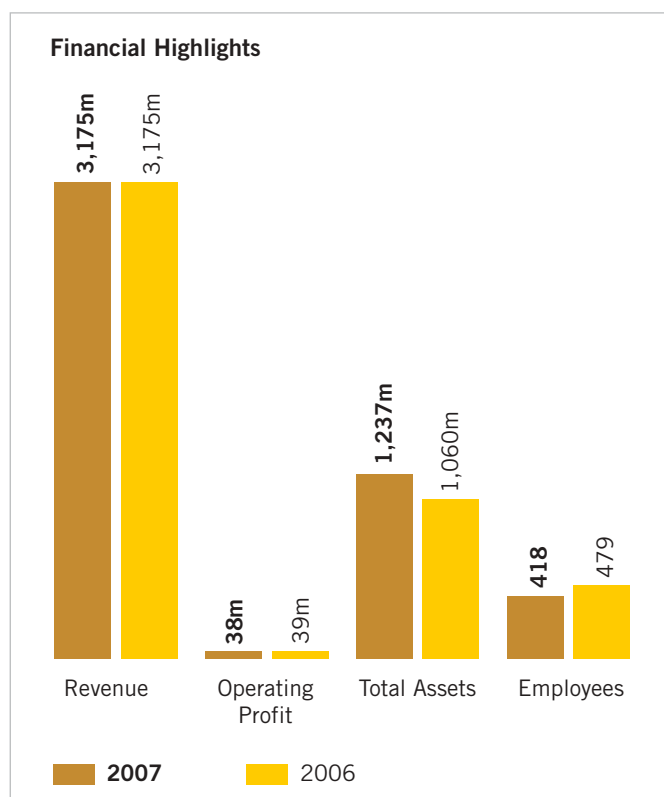
# Tradition Division







## TRADING DIVISION



The Trading Division recorded a profit of RM38 million, with its primary subsidiary **Boustead Petroleum Marketing Sdn Bhd** (BHPetrol) delivering strong earnings.

BHPetrol registered a gross sales revenue of RM2.75 billion against RM2.66 billion last year. This positive financial result was a reflection of our effort to optimise cost structures while achieving volume growth. Inventory holding gains arising from higher petroleum prices led to an increase in our operating margin vis-a-vis the previous year.

In a bid to further strengthen BHPetrol's market position in the retail petroleum, liquefied petroleum gas (LPG) and lubricant businesses, further investments were made in 2007 for the acquisition and construction of 17 new service stations in high-traffic locations.

**Boustead Global Trade Network Sdn Bhd** has been enhancing its focus on warehousing and logistics

management to keep pace with the fast changing business environment. This business enjoyed a fruitful year, due to the good performance of key customers, namely Sara Lee (M) Sdn Bhd and Riche Monde Sdn Bhd. In addition, insurance earnings reported a 51% increase in terms of commission earned.

**Riche Monde Sdn Bhd** ended the year with a 25% growth in profit compared with last year despite rising operational cost and unfavourable exchange rates. Its performance was due to successful marketing initiatives focused on both domestic and duty free channels.

**Boustead Engineering Sdn Bhd** posted a higher profit of 36% compared with 2006 due to several factors including enhanced contribution from the chemical division, which saw improvements in terms of sales and profitability. The successful completion of Phase 1 of the upgrading of the Kota Kinabalu International Airport Baggage Handling System also contributed to this result.

Despite competition, **Kao Malaysia Sdn Bhd** maintained its market share in the various product categories. The company is on track with the implementation of its recovery plan that is aimed at strengthening both traditional trade channels as well as the East Malaysian market.

**Drew Ameroid (Malaysia) Sdn Bhd** recorded a 51% increase in profit compared with last year due to new businesses from major customers. The company maintained its market share by providing leading edge technology and innovative products and services to customers in the water treatment chemical market.

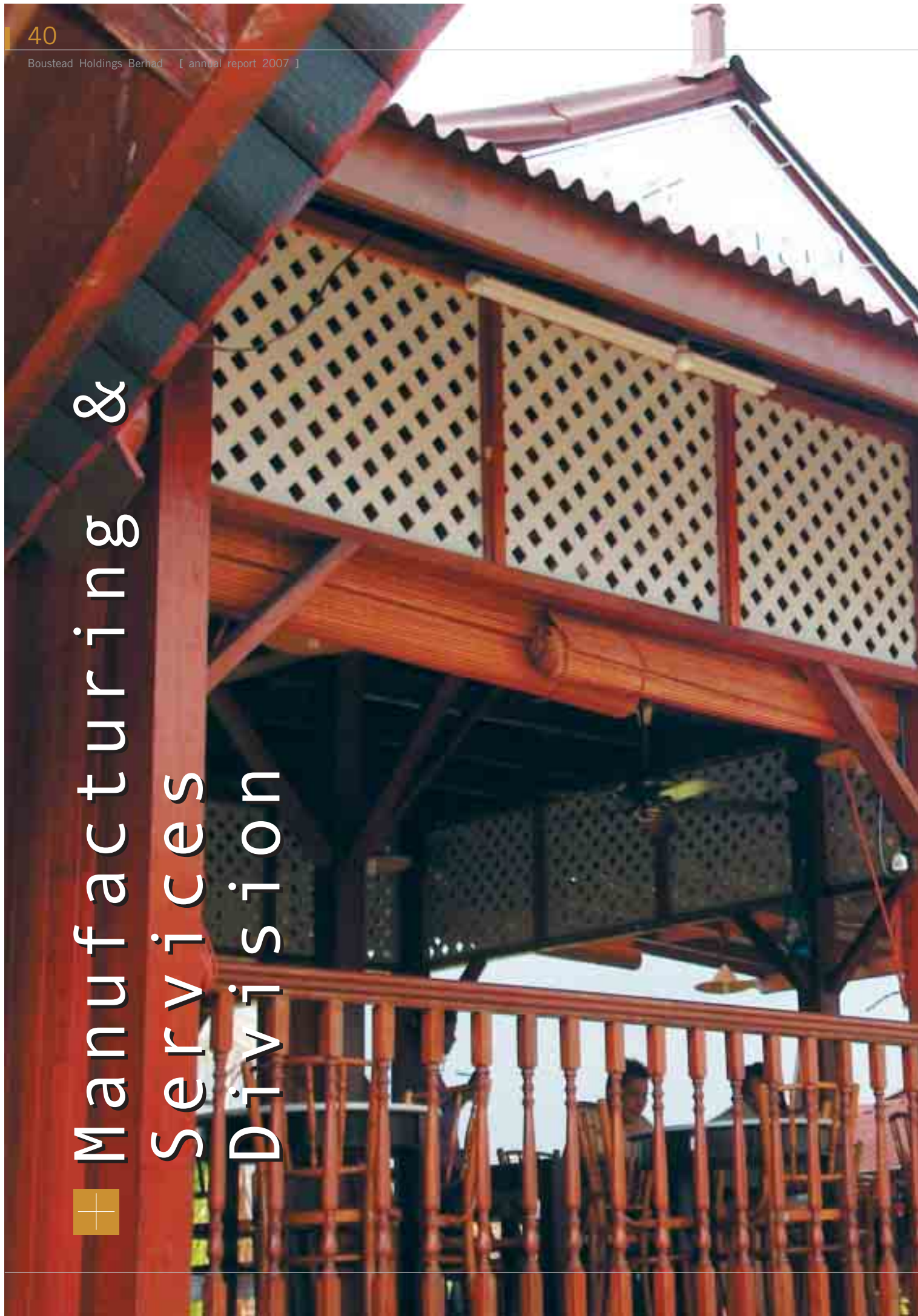
**Boustead Building Materials Sdn Bhd** improved gross sales revenue as it supplied building materials for various construction jobs. This included the RM240 million Armed Forces Hospital, which is on schedule and will be handed over to the Ministry of Defence towards the tail end of 2008. Additionally, the company has commenced construction of the Royale Chulan Kuala Lumpur, a five-star hotel that is part of the LTAT Group.

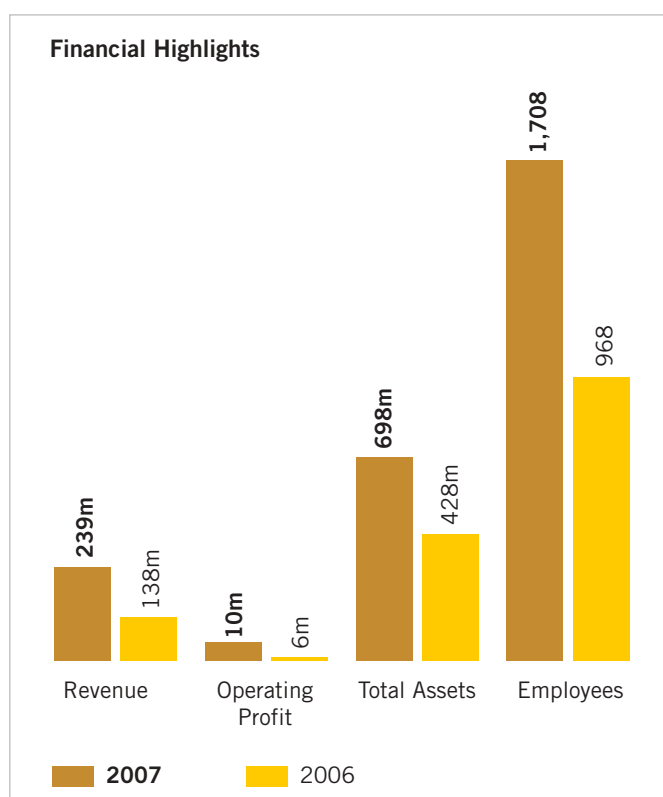






# + Manufacturing & Services Division





The year was marked by our acquisition of additional shares in UAC Berhad (UAC), which raised the Group's interest from 38% to 65% thus making UAC a listed subsidiary.

The Division's performance was satisfactory despite challenges that included higher operational costs and rising raw material prices. It closed the year with a profit of RM10 million.

## MANUFACTURING

**UAC Berhad** ended the year with a pre-tax profit of RM27 million on the back of a turnover of RM165 million. It was impacted by higher raw material costs, in particular energy, pulp and cement, and declining domestic demand given that the residential housing sub-sector did not see an increase in new building projects in 2007.



*Use of UCO Supertex Woodgrain Planks at Kuala Lumpur Performing Arts Centre*

Export volume for its primary product, namely fibre cement building materials, however continued to trend upwards. This is well in line with UAC's objective to tap opportunities regionally and internationally. In facing the difficult operating environment, UAC pursued improving productivity and developing new products using in house expertise and know-how.

The upgrading of one of the sheet machines which was completed in the year had increased the plant capacity and lowered unit production cost. UCO Lite, a new lower density hybrid calcium silicate flat sheet developed at UAC's own R&D facility was introduced in 2007. UAC will focus its domestic business by complementing the Boustead Group's property development initiatives as well as seizing opportunities arising from the implementation of the Ninth Malaysia Plan.

## MANUFACTURING & SERVICES DIVISION

**Boustead Sissons Paints Sdn Bhd** marked its commitment to maintain its position as one of the top five brands in the paint category in Malaysia with the successful unveiling of Sissons SPLASH in 2007. The product is a water based gloss paint and is environmental friendly, almost odorless and ideal for wood and metal surfaces. Though the company had been adversely affected by escalating prices of essential raw materials, it will continue to adopt aggressive dealers and end-users campaigns to boost retail sales.

**Cadbury Confectionery Malaysia Sdn Bhd** achieved top line sales growth of 22%, a significant achievement in both the total food and confectionery category. The brand further strengthened its leadership position in confectionery, and is now nearly three times larger than its nearest rival.

Innovation continues to be a key growth driver and 'Bytes' is now clearly the most successful new product ever launched. The strength of the brand's portfolio is second to none, and its visibility in the market continues to be strengthened.

**Idaman Pharma Manufacturing Sdn Bhd** reduced its losses from last year as a result of a 91% increase in sales. As the pharmaceutical business is a highly regulated industry, much effort was devoted during the year to upgrade and renovate the existing facilities. The aim is to achieve Good Manufacturing Practice under the Pharmaceutical Inspectors Coordination Scheme Guidelines recognised worldwide.

### SERVICES

**Boustead Travel Services Sdn Bhd**, the leading contributor to this sub-segment, delivered excellent results achieving a 70% increase in profit. Revenue increased mainly from corporate travel, while the increase in airfares and fuel surcharges have also contributed to revenue growth. The company won

the top 10 awards offered by Malaysia Airlines, Singapore Airlines, Abacus International and tour operators during the year.

**Boustead Shipping Agencies Sdn Bhd's** modest profit was derived primarily from its liner agency business. Its main agency, IRISL recorded an increase in lifting volume as a result of expansion into North Europe and Mediterranean ports. The freight forwarding business managed to expand its customer base while its air freight services saw a decline due to lower cargo movements.

**Boustead Information Technology Sdn Bhd** saw the development of new information technology systems to improve delivery systems within the Group. It was also involved in creating websites for Group companies to allow better access and enhance brand perception amongst their target market segments.

**Asia Smart Cards Centre Sdn Bhd** registered a healthy 20% growth in cards personalised as it is now one of the key independent service providers to a number of financial institutions.

### EDUCATION

**University of Nottingham in Malaysia Sdn Bhd**, one of the leading private academic institutions has seen its student population grow to over 2,650. 34% of the student population originate from outside Malaysia from over 50 countries with significant groupings from Africa, the Indian sub-continent and South East Asia.

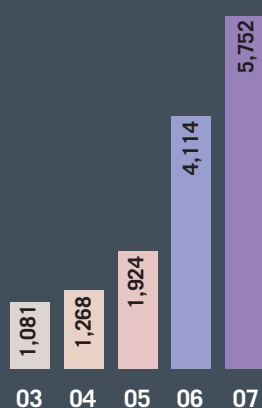
The University is developing its research portfolio with several research grants being awarded by the Ministry of Science, Technology and Information Malaysia and the Federal Land Development Authority as well as a range of industrial and charitable organisations.



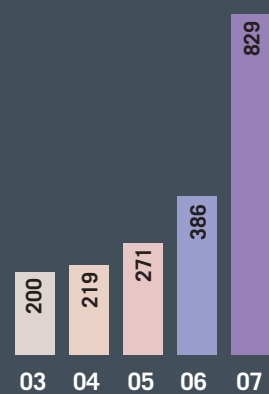


## FIVE YEAR FINANCIAL HIGHLIGHTS

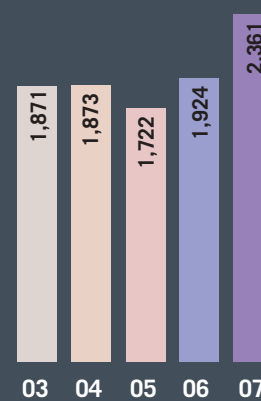
**Revenue**  
(RM Million)



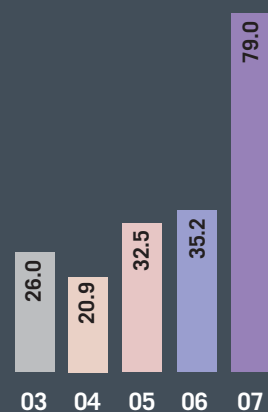
**Profit Before Taxation**  
(RM Million)



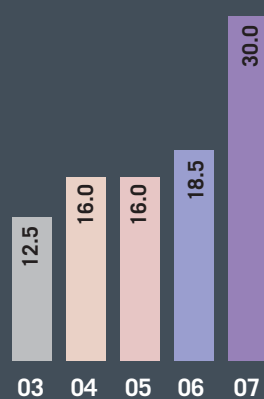
**Shareholders' Equity**  
(RM Million)



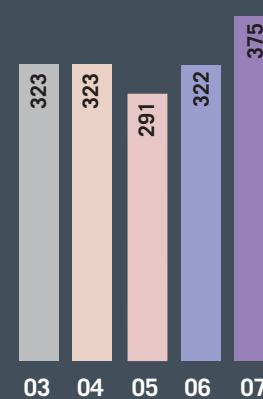
**Earnings Per Share**  
(Sen)



**Gross Dividend Per Share**  
(Sen)



**Net Assets Per Share**  
(Sen)



		2007	2006	2005	2004	2003
<b>FINANCIAL PERFORMANCE</b>						
Revenue		<b>5,752</b>	4,114	1,924	1,268	1,081
Profit before taxation		<b>829</b>	386	271	219	200
Net profit for the year		<b>655</b>	351	230	176	148
Profit attributable to shareholders		<b>478</b>	210	191	119	113
Earnings per share	sen	<b>79.0</b>	35.2	32.5	20.9	26.0
Return on equity	%	<b>22.3</b>	11.5	10.6	6.6	6.8
Return on assets	%	<b>13.4</b>	9.2	7.7	7.5	6.7
Return on revenue	%	<b>13.0</b>	7.4	9.8	9.9	12.2
<b>DIVIDENDS</b>						
Dividend payment		<b>138</b>	80	68	67	44
Gross dividend per share	%	<b>60.0</b>	37.0	32.0	32.0	25.0
Dividend yield	%	<b>4.7</b>	9.6	9.0	9.5	5.9
Dividend cover	times	<b>3.5</b>	2.6	2.8	1.8	2.6
<b>GEARING</b>						
Borrowings		<b>3,383</b>	2,301	2,013	1,831	1,663
Gearing (borrowings: shareholders' equity)	times	<b>1.4</b>	1.2	1.2	1.0	0.9
Gearing (borrowings: total equity)	times	<b>1.1</b>	0.9	0.8	0.8	0.7
Interest cover	times	<b>7.6</b>	4.3	3.5	3.8	3.8
<b>OTHER FINANCIAL STATISTICS</b>						
Net assets per share	sen	<b>375</b>	322	291	323	323
Share price - high	sen	<b>685</b>	195	200	190	220
Share price - low	sen	<b>183</b>	157	167	147	129
Price earning ratio	times	<b>8.2</b>	5.5	5.4	8.1	5.1
Paid up share capital		<b>315</b>	299	296	290	290
Shareholders' equity		<b>2,361</b>	1,924	1,722	1,873	1,871
Total equity		<b>3,209</b>	2,707	2,405	2,404	2,336
Total assets		<b>8,441</b>	5,766	5,221	4,643	4,341

All figures are in RM Million unless otherwise stated.



## CORPORATE INFORMATION

### DIRECTORS

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

Y. Bhg. Tan Sri Dato' Lodin  
Wok Kamaruddin  
Group Managing Director

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

Tuan Hj. Johari Muhamad Abbas

Y. Bhg. Dato' (Dr.) Megat Abdul  
Rahman Megat Ahmad

Y. Bhg. Datuk Azzat Kamaludin

Y. Bhg. 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>

### 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

### PRINCIPAL BANKERS

Affin Bank Berhad  
Alliance Bank Malaysia Berhad  
The Bank of Nova Scotia Berhad  
Bank Pembangunan Malaysia Berhad  
CIMB Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad

### SECRETARY

Pn. Sharifah Malek

### AUDITORS

Ernst & Young

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

### HOLDING CORPORATION

Lembaga Tabung Angkatan Tentera

## FINANCIAL CALENDAR

financial year	1 January to 31 December 2007			
results	<b>First Quarter</b> Announced 15 May 2007	<b>Second Quarter</b> Announced 29 August 2007	<b>Third Quarter</b> Announced 26 November 2007	<b>Fourth Quarter</b> Announced 29 February 2008
annual report	Issued 12 March 2008			
annual general meeting	To be held 3 April 2008			
dividends	<b>First Interim</b> Announced 29 August 2007 Entitlement date 17 September 2007 Paid 5 October 2007	<b>Second Interim</b> Announced 26 November 2007 Entitlement date 26 December 2007 Paid 18 January 2008	<b>Final and Bonus</b> Announced 29 February 2008 Entitlement date 25 April 2008 Payable 12 May 2008	

## PROFILE OF DIRECTORS

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**Tan Sri Ghazali** was appointed to the Board on 3 December 1990. He is the Chairman of the Nomination Committee, Remuneration Committee and ESOS 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) for a period of 19 years spanning from 23 February 1988 until 22 February 2007. He also sits on the Boards of Boustead Plantations Berhad, Boustead Properties Berhad and UAC 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.

**Y. BHG. GEN. (R) TAN SRI  
DATO' MOHD GHAZALI**

**HJ. CHE MAT**

Chairman

Non-Independent

Non-Executive Director

77 years of age, Malaysian

## PROFILE OF DIRECTORS

**Tan Sri Lodin** was appointed to the Board on 10 July 1984. He is a member of the Remuneration Committee and ESOS Committee. He is also the Chief Executive of Lembaga Tabung Angkatan Tentera (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 also sits on the Boards of Affin Holdings Berhad, Boustead Plantations Berhad, Boustead Properties Berhad, Boustead Heavy Industries Corporation Berhad, UAC Berhad, Affin Bank Berhad, Affin Investment Bank Berhad, Affin Islamic Bank Berhad, Affin Capital Sdn Bhd, AXA AFFIN Life Insurance Berhad, Johan Ceramics Berhad, The University of Nottingham in Malaysia Sdn Bhd, Boustead Petroleum Marketing Sdn Bhd, Boustead REIT Managers Sdn Bhd, Boustead Naval Shipyard Sdn Bhd, Boustead Petroleum 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.



**Y. BHG. TAN SRI DATO' LODIN  
WOK KAMARUDDIN**

Group Managing Director  
Non-Independent  
Executive Director  
58 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. 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.



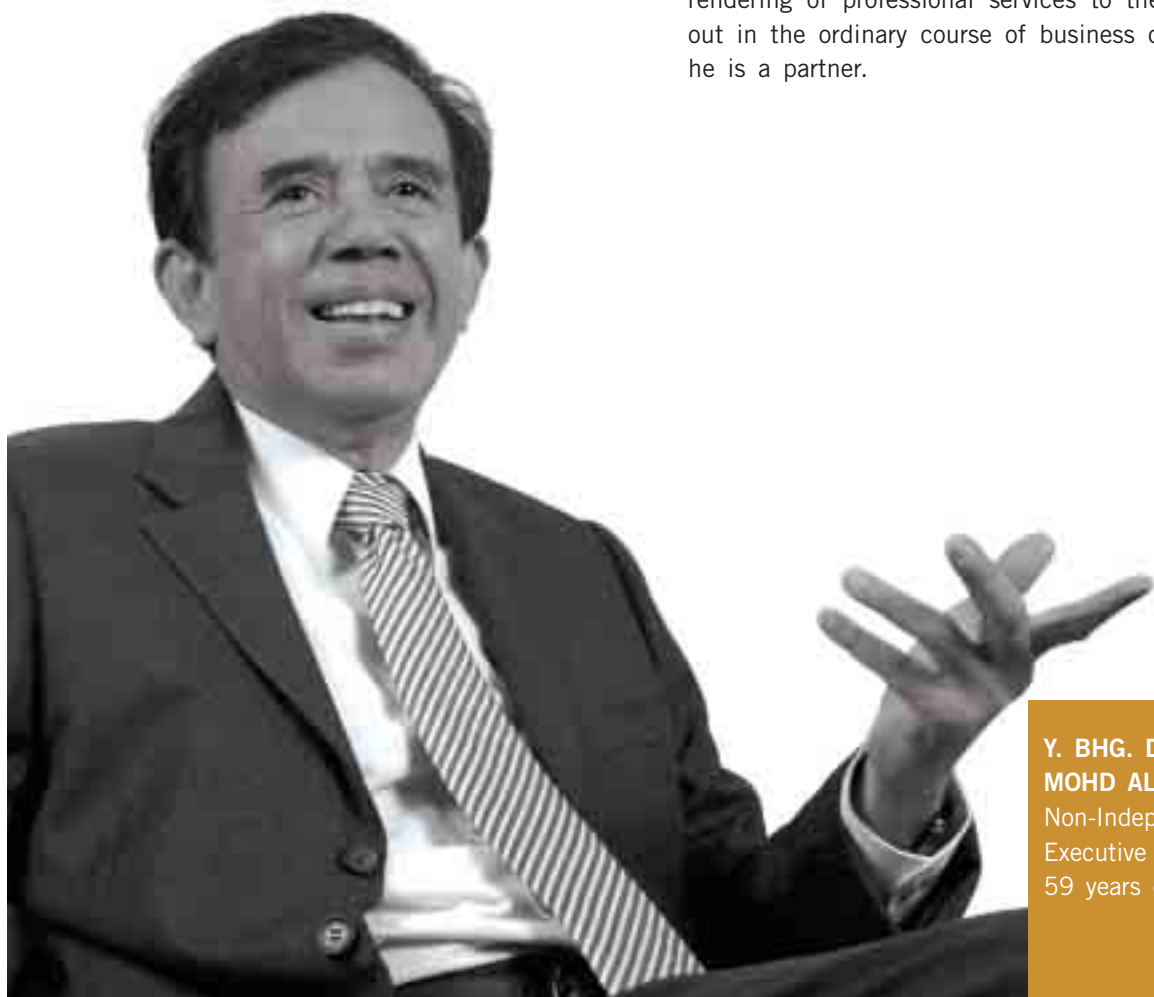
**Y. BHG. LT. GEN. (R)  
DATO' MOHD YUSOF DIN**  
Independent  
Non-Executive Director  
77 years of age, Malaysian



## PROFILE OF DIRECTORS

**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 Australian 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 and South Johor Investment Cooperation 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.



**Y. BHG. DATO' GHAZALI  
MOHD ALI**

Non-Independent  
Executive Director  
59 years of age, Malaysian

**Dato' Megat** was appointed to the Board on 10 December 1990. He is the Chairman of the Audit Committee and a member of the Nomination Committee and 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 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, BH Insurance (M) Berhad, Zelan Berhad, Press Metal Berhad and IJM Corporation 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.



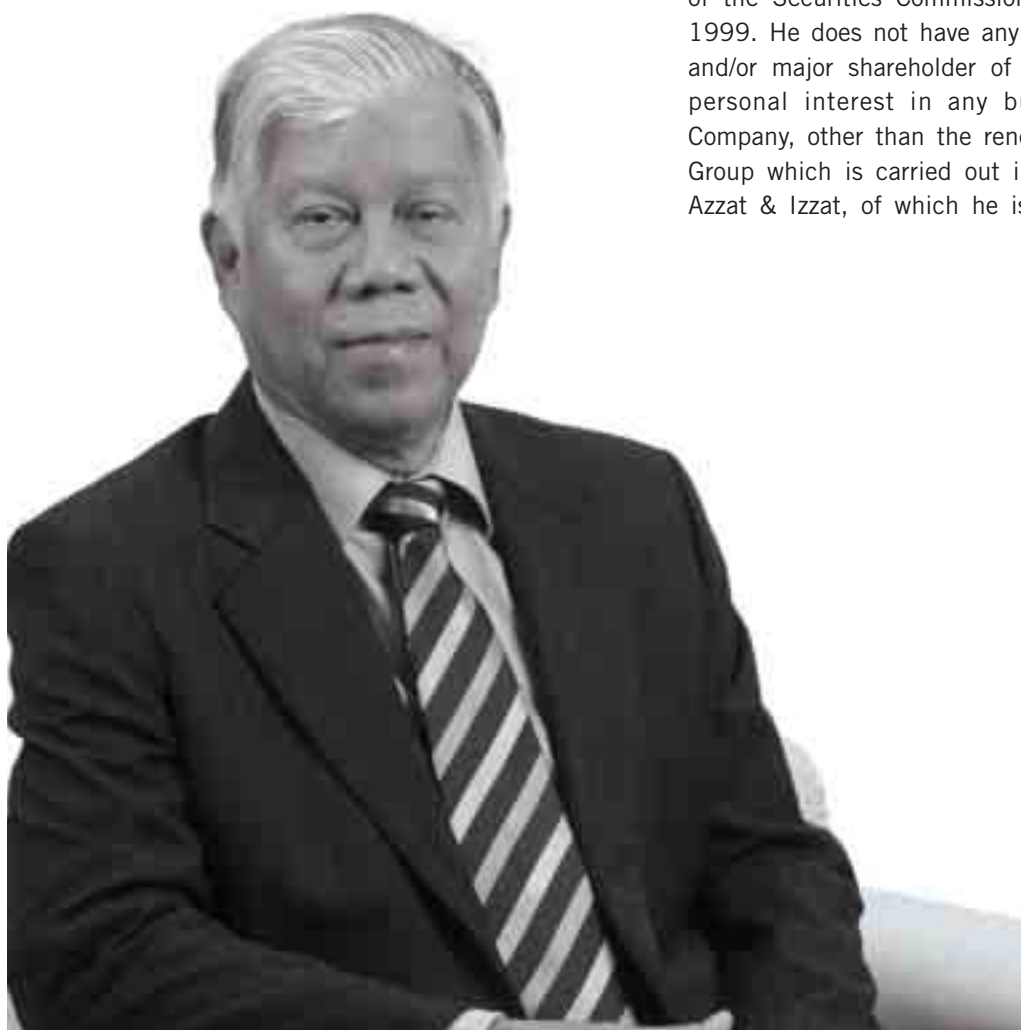
**Y. BHG. DATO' (DR.)  
MEGAT ABDUL RAHMAN  
MEGAT AHMAD**

Independent  
Non-Executive Director  
68 years of age, Malaysian

## PROFILE OF DIRECTORS

**Datuk Azzat** was appointed to the Board on 16 January 1991. He is a member of the Remuneration Committee and ESOS 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, Visdynamics Holdings Berhad, KPJ Healthcare Berhad, Pulai Springs Berhad, Celcom (Malaysia) Berhad, Boustead Heavy Industries Corporation 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.



**Y. BHG. DATUK AZZAT  
KAMALUDIN**

Non-Independent  
Non-Executive Director  
62 years of age, Malaysian



**Tuan Hj. Johari** was appointed to the Board on 3 December 1990. He is a member of the Audit Committee and Nomination Committee.

Tuan Hj. Johari attended The Royal Veterinary College, London and holds an Associate of the Incorporated Society of Planters Diploma from the Incorporated Society of Planters. He was the National Chairman of the Society from 1980 to 1984. He has over 40 years of experience in the plantation industry having served with Federal Land Development Authority (FELDA) for 7 years and Highlands & Lowlands Berhad for 15 years. From 1980 to 1985, he was the General Manager of Syarikat Ladang LKPP Sdn Bhd. For 16 years he ran his own plantation consultancy firm. In recognition of his contribution to the Planting Industry, he was awarded the FISP (Fellow of Incorporated Society of Planters) on 18 June 2002 by Incorporated Society of Planters. He sat on the Board of Highlands & Lowlands Berhad for 19 years prior to the company's merger with Sime Darby Berhad and Golden Hope Berhad in November 2007. 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.

**TUAN HJ. JOHARI  
MUHAMAD ABBAS**

Independent  
Non-Executive Director  
76 years of age, Malaysian



## SENIOR MANAGEMENT TEAM



**MR KOO HOCK FEE**

[ Director, Manufacturing & Corporate Planning ]



**Y. BHG. DATO' GHAZALI MOHD ALI**

[ Divisional Director, Property ]



**MR DANIEL EBINESAN**

[ Director, Financial Services ]



**Y. BHG. TAN SRI DATO' LODIN  
WOK KAMARUDDIN**

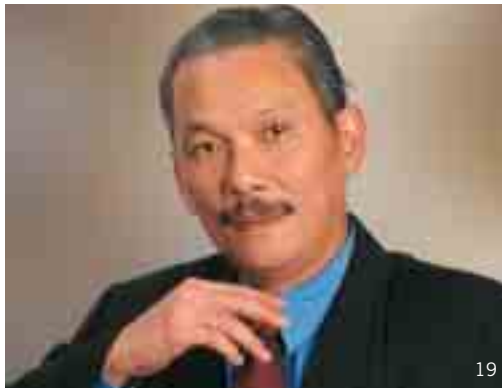
[ Group Managing Director ]

- 05 Y. Bhg. Laksamana Madya (R) Dato' Seri Ahmad Ramli Hj Mohd Nor [ Boustead Naval Shipyard & Boustead Heavy Industries Corporation ]  
 06 Mr Chow Kok Choy [ Boustead Estates Agency ] 07 En Hussin Abdul Jalil [ Boustead Estates Agency ]  
 08 En Shoib Abdullah [ Boustead Estates Agency ] 09 Mr Teng Peng Khen [ Boustead Estates Agency ]  
 10 En Rahim Mohd Som [ Boustead Emastulin & Boustead Credit ] 11 En Mokhtar Khir [ Boustead Hotels and Resorts ]

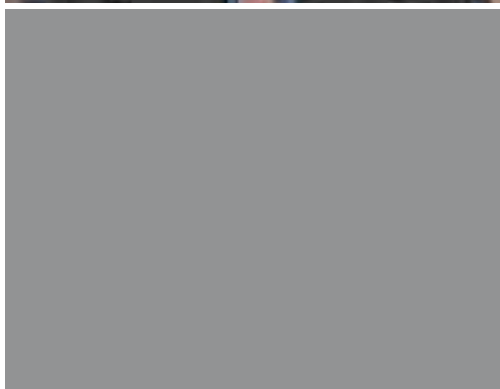




- 13 Mr Tan Kim Thiam [ Boustead Petroleum Marketing ]    14 Professor Brian Atkin [ University of Nottingham Malaysia Campus ]  
 15 En Musa Hj Sulaiman [ Boustead Global Trade Network ]    16 Puan Farshilla Imran [ Idaman Pharma ]  
 17 Dr. Rodaina Ibrahim [ Boustead Information Technology ]    18 Mr Ting Sik Fatt [ Boustead Engineering ]  
 19 Mr Chew Chik Soo [ Boustead Building Materials & Boustead Sissons Paints ]    20 Ms Serena Ngiam [ Boustead Travel Services ]



- 21 En Khushairi Mohd Hashim [ Mutiara Rini ]    22 Mr Bernard Khit [ Boustead Shipping Agencies ]  
 23 Mr Paul Lim [ BH Insurance ]    24 Mr Koh Chor Meng [ Asia Smart Cards Centre ]  
 25 Mr Chan Pooi Hoong [ Group Internal Audit ]    26 Puan Sharifah Malek [ Company Secretary ]  
 27 Puan Nawal Hanafiah [ Group Human Resources ]



## AUDIT COMMITTEE REPORT

THE BOARD OF DIRECTORS OF BOUSTEAD HOLDINGS BERHAD IS PLEASED TO PRESENT THE FOLLOWING REPORT OF THE AUDIT COMMITTEE OF THE BOARD FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007.





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

### MEMBERS AND MEETINGS

During the year, the Committee held meetings on 22 February 2007, 1 March 2007, 15 May 2007, 14 August 2007 and 6 November 2007, a total of five meetings. The composition of the Audit Committee and the attendance by each member at the Committee meetings held during the year are set out below:

Name of Director	Status of Directorship	Independent	Attendance of meetings
Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Director Chairman of the Committee	Yes	All 5 meetings
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin (Resigned on 5 November 2007)	Group Managing Director	No	All 4 meetings
Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din	Non-executive Director	Yes	All 5 meetings
Tuan Hj. Johari Muhamad Abbas	Non-executive Director	Yes	4 of 5 meetings

The Director, Financial Services, General Manager, Group Internal Audit and other members of senior management attended these meetings upon invitation by the Chairman of the Committee. 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.

## AUDIT COMMITTEE REPORT

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The terms of reference of the Committee are as follows:

#### Composition

The Audit Committee members shall be appointed by and from the Board of Directors of Boustead Holdings Berhad and shall number not less than three members. Following the resignation of Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin on 5 November 2007, all the members of the Audit Committee are now made up of independent non-executive Directors. The members of the Audit Committee shall elect a Chairman from amongst themselves who is an independent non-executive Director.

In the event a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three, the Board shall within 3 months of that event appoint such number of new members as may be necessary to make up the minimum number of three members.

#### Quorum and Committee's Procedures

Meetings shall be conducted at least four times annually, or more frequently as circumstances dictate. In order to form a quorum for the meeting, the majority of the members present must be independent non-executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

#### Authority

The Audit 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 Audit 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.

#### 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 the 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 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 programme, processes, the results of the internal audit programme or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

5. To provide an independent assessment of the adequacy and reliability of the risk assessment process.
6. 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.
7. To review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
8. To review with the external auditors with regards to problems and reservations arising from their interim and final audits.
9. To recommend the nomination of a person or persons as external auditors.
10. To review any letter of resignation from the external auditors and any questions of resignation or dismissal.
11. To report promptly to Bursa Malaysia on any matter reported by it to the Board of Directors that has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Listing Requirements.

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

### ACTIVITIES DURING THE FINANCIAL YEAR

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

- Reviewed the internal and external auditors' scope of work and annual audit plans for the Group.
- Reviewed management letters and audit report of the external auditors.
- Reviewed the quarterly and annual reports of the Group prior to submission to the Board of Directors for consideration and approval.
- Reviewed the disclosure on related party transactions entered into by the Company and the Group.
- Reviewed internal audit reports and to monitor/follow-up on remedial action. Where required, members of the Audit Committee would carry out ground visits to verify significant issues highlighted in the Internal Audit Reports.
- Reviewed the outcome of the risk management programme, including the key risks identified, the potential impact and the likelihood of the risks occurring, existing controls and action plans.

- The Committee met with the external auditors twice during the year, of which one meeting was conducted without the presence of management.

### INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Department whose principal responsibility is to undertake regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Company and the Group.

The principal roles of the Internal Audit Department are:

- To ensure that a sound internal control system is in place and the system is functioning adequately and its integrity is maintained.
- To add value and improve the Group's operations by providing independent and objective evaluation of the operations.
- To ensure that a systematic disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance process is adopted.
- To carry out investigations and special review requested by management or the Audit Committee.

- To carry out audit work in liaison with the external auditors to maximise the use of resources and for effective coverage of audit risks.
- To review related party transactions.

The Internal Audit Department carries out its audits according to the audit plan approved by the Audit Committee. Risk identification and assessment is carried out as part of the routine audit process, where audit emphasis was given on high and critical risk areas, and compliance with risk policies and regulatory guidelines.

When a major risk was identified, significant audit resources would be directed to investigate the weakness and to recommend corrective actions.



## STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS IS COMMITTED TO THE PRINCIPLES OF THE 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 2007.

### 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 individual 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 seven members, comprising two executive Directors and five 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 48 to 55 of this Annual Report.

The Group practises a division of responsibility between the Chairman and the Group Managing Director and there is a balance of executive, non-executive and independent non-executive Directors. The roles of the Chairman and Group Managing Director are separate and clearly defined, and are held individually by two persons. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Group Managing Director has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions.

Y. Bhg. 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 is satisfied that the current Board composition fairly reflects the interests of minority shareholders within the Group.

## STATEMENT ON CORPORATE GOVERNANCE

### BOARD MEETINGS

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. 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
- Employees' Share Option Scheme Committee (ESOS 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	2 meetings
Remuneration Committee	2 meetings

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
Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Non-executive Chairman	No	All 4 meetings
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	Group Managing Director	No	All 4 meetings
Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din	Non-executive Director	Yes	All 4 meetings
Tuan Hj. Johari Muhamad Abbas	Non-executive Director	Yes	2 of 4 meetings
Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Director	Yes	All 4 meetings
Y. Bhg. Datuk Azzat Kamaludin	Non-executive Director	No	3 of 4 meetings
Y. Bhg. Dato' Ghazali Mohd Ali	Executive Director	No	3 of 3 meetings



## 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 Securities Listing Requirements. During the year, the Directors have attended various accredited courses and seminars to further enhance their skill and knowledge.

## 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 re-appointment 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 and a member is a qualified accountant.

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 Report of the Audit Committee in the Annual Report.

### ESOS Committee

The ESOS Committee was established on 12 December 1996 to administer the Boustead Holdings Berhad Employees' Share Option Scheme in accordance with the objectives and regulations thereof, to determine participation eligibility, option offers and share allocations and to attend to such other matters as may be required. The members of the Committee are:

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

Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin

Y. Bhg. Datuk Azzat Kamaludin

## STATEMENT ON CORPORATE GOVERNANCE

### Nomination Committee

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

Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat (Chairman)  
 Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad  
 Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din  
 Tuan Hj. Johari Muhamad Abbas

The functions of the Nomination Committee shall be to:

- Recommend candidates for all directorships.
- Recommend appointments to Board Committees.
- Annually review the required mix of skills and experience and other qualities, including core competencies, which non-executive Directors should bring to the Board.

### Remuneration Committee

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

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

The Remuneration Committee reviews the remuneration packages, share options and other benefits applicable to all executive Directors and senior executives on an annual basis and makes recommendations to the Board. None of the executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. In establishing the level of remuneration for each Director and senior staff, the Committee has regard to packages offered by comparable companies, and may obtain independent advice.

The remuneration for non-executive Directors consists of fees and reimbursement of expenses for their services in connection with Board and Board Committee meetings. They do not have contracts and do not participate in any of the profit sharing, share option and other incentive schemes of the Group.

### DIRECTORS' REMUNERATION

The details on the aggregate remuneration of Directors for the Financial year ended 31 December 2007 are as follows:

	Non-executive RM'000	Executive RM'000	Total RM'000
Directors' fees	517	129	646
Meeting allowances	39	10	49
Salaries, bonuses & allowances	60	2,187	2,247
Employees provident fund contribution	—	284	284
Benefits-in-kind	40	52	92
Total	656	2,662	3,318

The 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:

Number of Directors	Non-executive Directors	Executive Directors
From RM50,001 to RM100,000	2	
From RM100,001 to RM150,000	2	
From RM250,001 to RM300,000	1	
From RM850,001 to RM900,000		1
From RM1,800,001 to RM1,850,000		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 has also set up a website at [www.boustead.com.my](http://www.boustead.com.my) to provide corporate, financial and non-financial information. The Group Managing Director and Director, Financial Services 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.

## 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 Report of the Audit Committee in the Annual Report.

### 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 Report of the Audit Committee in the Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

THE BOARD OF DIRECTORS IS REQUIRED UNDER PARAGRAPH 15.27(A) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD TO ISSUE A STATEMENT ON ITS RESPONSIBILITY IN THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS.





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:

- adopted suitable accounting policies and applying them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; 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.

**The statement is made in accordance with a resolution of the Board of Directors dated 29 February 2008.**

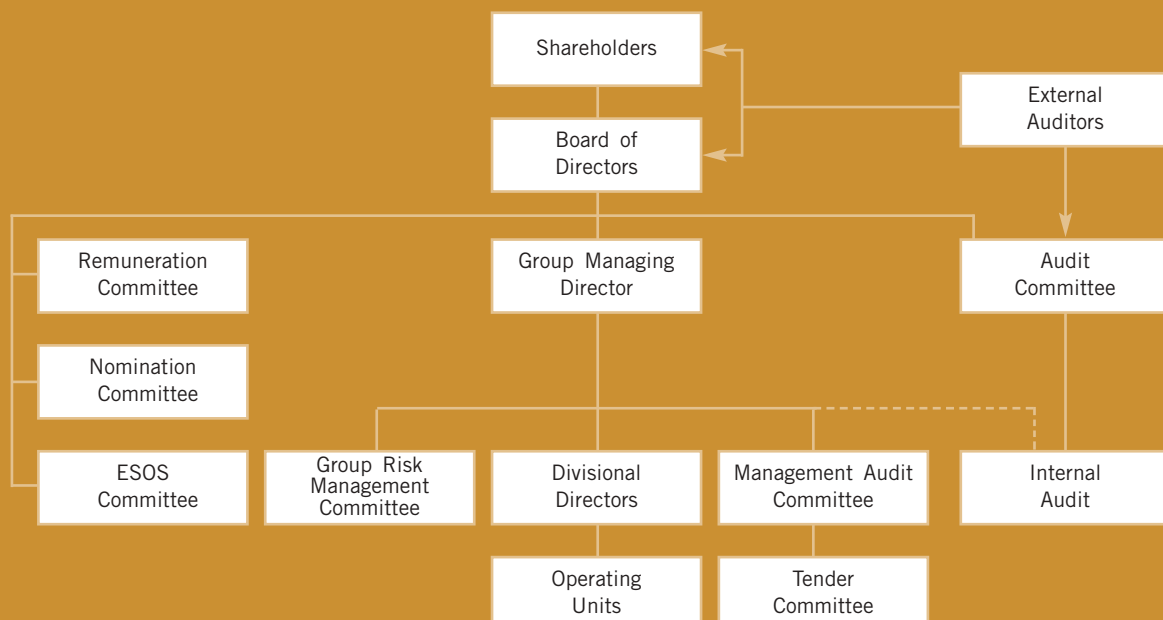
## STATEMENT ON INTERNAL CONTROL

THE BOARD OF DIRECTORS OF BOUSTEAD HOLDINGS BERHAD IS PLEASED TO MAKE THE FOLLOWING STATEMENT ON INTERNAL CONTROL WHICH OUTLINES THE KEY ELEMENTS OF THE INTERNAL CONTROL SYSTEM WITHIN THE GROUP.

### 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. Except for insurable risks where insurance covers are purchased, other significant risks faced by the Group (excluding associated companies) 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:



## RISK MANAGEMENT

The Board recognises that effective risk management is an essential and indispensable part of corporate management. The Group strives to manage risk effectively with a view to protecting assets and stakeholders, ensuring achievement of the business objectives and enhancing shareholder value.

The Board and its various sub-committees have undertaken to address the need for risk management within the Group and have tasked Management with developing and maintaining the necessary systems to give effect to this responsibility.

The Group endeavours to develop, implement and maintain sound risk management practices and systems that are consistent with good corporate governance to address these objectives:

- communicate the vision, role, direction and priorities to staff and other stakeholders;
- identify, assess and manage risks in an effective and efficient manner;
- improve decision making, planning and prioritisation based on a comprehensive understanding of the reward to risk balance; and
- enable systematic and prompt reporting on any perceived new risks or failures of existing control measures.

In pursuing these objectives the Group has:

- implemented a comprehensive and systematic risk assessment and reporting process across the Group;
- created an environment that controls and mitigate risks within the accepted risk tolerance;
- heightened risk management awareness in the business processes;
- fostered a culture of continuous improvement in risk management through audit and review processes;
- produced a risk profile with a significance rating to each risk as a tool for prioritising risk treatment efforts.

## INTERNAL AUDIT FUNCTION

The role of internal audit has moved towards a risk-based internal audit methodology. This approach includes focusing the internal audit work on the significant risks identified across the Group. Risk management and internal controls are firmly linked with the ability of the Group to fulfil clear business objectives.

The internal audit function provides assurance of the effectiveness of the system of internal controls within the Group. It conducts independent reviews of the key activities within the Group's operating units based on a detailed annual internal audit plan which was approved by the Audit Committee.

## KEY ELEMENTS OF INTERNAL CONTROL

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

- Clear organisation structure with defined reporting lines.
- 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.
- Regular Board and Management meetings to assess the Group's performance and controls.
- 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.

## STATEMENT ON INTERNAL CONTROL

- 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.
- 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.

### 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. The same confirmation is provided by the Group Managing Director and Director, Financial Services to the Board annually.
- 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, customers' interests and the Group's assets.

### 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 29 February 2008.**





# Financial Statements

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## DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements for the Group and the Company for the financial year ended 31 December 2007.

### PRINCIPAL ACTIVITIES

Boustead Holdings Berhad was incorporated in Malaysia in 1960 and its principal activities are investment holding and cultivation of oil palms. The Group currently comprises more than seventy Subsidiary and Associated Companies, the principal activities of which are described on pages 161 to 165.

There have been no significant changes in the nature of these activities during the financial year, except for the increased participation in the activities of former Associates, Boustead Heavy Industries Corporation Berhad, Boustead Naval Shipyard Sdn Bhd, UAC Berhad and BH Insurance (M) Berhad which became Subsidiaries of the Company during the period under review.

### RESULTS

	Group RM'000	Company RM'000
Net profit attributable to:		
Shareholders of the Company	477,736	350,696
Minority interests	176,800	—
Net profit for the year	654,536	350,696

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the gain on disposal of plantation assets, negative goodwill recognised, reversal of impairment loss and the consolidation of new Subsidiaries as disclosed in the notes to the financial statements.

### DIVIDENDS

Since the end of the previous financial year, the Company paid the following dividends:

- A second interim dividend of 10% per share less tax paid on 18 January 2007, amounting to RM21,836,631 in respect of the previous financial year as reported in the Directors' Report of that year;
- a final dividend and a bonus dividend of 12% and 5% per share less tax respectively paid on 2 May 2007, amounting to RM37,122,679 in respect of the previous financial year as proposed in the Directors' Report of that year;
- a first interim dividend of 10% per share less tax paid on 5 October 2007, amounting to RM21,836,631 in respect of the financial year under review; and
- a second interim dividend of 14% per share less tax paid on 18 January 2008, amounting to RM32,584,234 in respect of the financial year under review.

**DIVIDENDS (cont'd.)**

The Directors have proposed a final dividend and a bonus dividend of 16% and 20% per share less tax respectively, amounting to RM83,788,024 making the total dividends for the year of 60% per share less tax, amounting to RM138,208,889.

These financial statements do not reflect the final dividend and bonus dividend which will be accounted for in the shareholders' equity as an appropriation of retained profit in the year ending 31 December 2008.

**DIRECTORS**

The Directors of the Company in office since the date of the last report and at the date of this report are:

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

Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin

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

Tuan Hj. Johari Muhamad Abbas

Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad

Y. Bhg. Datuk Azzat Kamaludin

Y. Bhg. Dato' Ghazali Mohd Ali (appointed on 1 March 2007)

**DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the option to subscribe for shares of Boustead Petroleum Sdn Bhd.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 5 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 42 to the financial statements.

**DIRECTORS' INTERESTS**

According to the register of Directors' shareholding, the interests of Directors in office at the end of the financial year in shares, warrants and options over shares of the Company and its related corporations were as follows:

	At 1/1/07	Acquired	Sold	At 31/12/07
<i>Shares of RM0.50 each</i>				
<b>Boustead Holdings Berhad</b>				
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	10,492,800	24,000,000	(12,797,800)	21,695,000
Tuan Hj. Johari Muhamad Abbas	66,666	—	(10,000)	56,666
Y. Bhg. Dato' Ghazali Mohd Ali*	100,000	—	(100,000)	—

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS (cont'd.)

	At 1/1/07	Acquired	Sold	At 31/12/07
<i>Shares of RM1.00 each</i>				
<b>Boustead Properties Berhad</b>				
Tuan Hj. Johari Muhamad Abbas	42,500	—	(15,000)	27,500
Y. Bhg. Datuk Azzat Kamaludin	5,000	—	—	5,000
<b>Boustead Heavy Industries Corporation Berhad</b>				
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	—	2,000,000	—	2,000,000
Y. Bhg. Datuk Azzat Kamaludin	3,000	522,300	(10,000)	515,300
Y. Bhg. Dato' Ghazali Mohd Ali*	—	100,000	(25,000)	75,000
<b>Boustead Petroleum Sdn Bhd</b>				
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	—	5,466,465**	—	5,466,465
<b>Affin Holdings Berhad</b>				
Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	91,708	—	—	91,708
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	8,714	—	—	8,714
Tuan Hj. Johari Muhamad Abbas	27,000	—	—	27,000
Y. Bhg. Datuk Azzat Kamaludin	110,000	—	—	110,000
Y. Bhg. Dato' Ghazali Mohd Ali*	51,000	—	—	51,000
<i>Number of Units</i>				
<b>Affin Holdings Berhad – Warrants (W3)</b>				
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	1,500	—	—	1,500
Tuan Hj. Johari Muhamad Abbas	5,000	—	—	5,000
Y. Bhg. Datuk Azzat Kamaludin	22,500	—	(22,500)	—
	At 1/1/07	Granted	Exercised	At 31/12/07
<i>Option over ordinary shares of RM1.00 each</i>				
<b>Affin Holdings Berhad</b>				
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	800,000	—	—	800,000

\* Disclosure of shareholding is from the date of appointment of 1 March 2007

\*\* Includes dividend in specie totalling 1,328,965 shares



**DIRECTORS' INTERESTS (cont'd.)**

Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin had on 22 February 2007 signed an agreement with Lembaga Tabung Angkatan Tentera (LTAT) to purchase 29,912,699 Boustead Holdings Berhad shares (Boustead Shares) which are part of the shares approved by LTAT's Investment Panel on 14 June 2004 and the Board of Directors of LTAT on 28 June 2004 to be sold via placement at the price of RM1.70 per share. Accordingly, Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin purchased 24 million Boustead Shares during the year, and the agreement for the purchase of the remaining 5,912,699 Boustead Shares shall expire on 14 November 2008.

The Board of Directors had offered Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin an option to acquire existing ordinary shares of RM1.00 each of up to five percent (5%) of the enlarged issued and paid-up capital of Boustead Petroleum Sdn Bhd (BPSB). Accordingly, Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin acquired 4,137,500 ordinary shares of RM1 each in BPSB at a total consideration of RM4,755,521 on 26 December 2007.

**BANK GUARANTEED REDEEMABLE CONVERTIBLE BONDS (BGRCB)**

As at 31 December 2007, the Company's RM100 million BGRCB had been fully settled through:

- (a) conversion of RM60 million BGRCB into ordinary shares of the Company; and
- (b) cash redemption in respect of RM40 million BGRCB.

**ISSUE OF SHARES**

During the financial year, the Company's issued and paid-up share capital was increased from RM299,134,995 to RM314,519,610 through the issuance of 30,769,230 ordinary shares of RM0.50 at RM1.95 each arising from the conversion of Boustead's bank guaranteed redeemable convertible bonds totalling RM60 million. The new ordinary shares issued during the financial year rank pari passu with the existing ordinary shares.

**OTHER STATUTORY INFORMATION**

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## DIRECTORS' REPORT

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

- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 43 to the financial statements.

### SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 44 to the financial statements.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

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

## STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

### STATEMENT BY DIRECTORS

We, GEN. (R) TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT and TAN SRI DATO' LODIN WOK KAMARUDDIN, being two of the Directors of BOUSTEAD HOLDINGS BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 83 to 165 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

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

Kuala Lumpur  
29 February 2008

TAN SRI DATO' LODIN WOK KAMARUDDIN

### STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, DANIEL EBINESAN, being the Officer responsible for the financial management of BOUSTEAD HOLDINGS BERHAD do solemnly and sincerely declare that the financial statements set out on pages 83 to 165 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 29 February 2008.

Before me

ZAINALABIDIN BIN NAN  
Commissioner for Oaths  
Kuala Lumpur

DANIEL EBINESAN

## AUDITORS' REPORT

### TO THE MEMBERS OF BOUSTEAD HOLDINGS BERHAD

We have audited the financial statements set out on pages 83 to 165. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its Subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports thereon of the Subsidiaries of which we have not acted as auditors, as indicated on pages 161 to 164, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the Subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the Subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

**ERNST & YOUNG**

AF: 0039

Chartered Accountants

**HABIBAH BTE ABDUL**

No. 1210/05/08(J)

Partner

Kuala Lumpur  
29 February 2008



## INCOME STATEMENTS

For the year ended 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Revenue</b>	4	<b>5,751,919</b>	4,114,326	<b>100,338</b>	70,317
Operating cost	5	<b>(5,001,517)</b>	(3,934,558)	<b>(101,556)</b>	(80,943)
Results from operations		<b>750,402</b>	179,768	<b>(1,218)</b>	(10,626)
Gain on disposal of plantation assets		<b>41,200</b>	248,841	—	—
Interest income	6	<b>12,439</b>	3,980	<b>38,221</b>	30,139
Other investment income/(loss)	7	<b>66,438</b>	(8,738)	<b>489,182</b>	179,871
Finance cost	8	<b>(125,607)</b>	(118,457)	<b>(133,160)</b>	(114,305)
Share of results of Associates		<b>83,942</b>	81,037	—	—
<b>Profit before taxation</b>		<b>828,814</b>	386,431	<b>393,025</b>	85,079
Taxation	9	<b>(174,278)</b>	(35,033)	<b>(42,329)</b>	(6,338)
<b>Net profit for the year</b>		<b>654,536</b>	351,398	<b>350,696</b>	78,741
<b>Attributable to:</b>					
Shareholders of the Company		<b>477,736</b>	210,184	<b>350,696</b>	78,741
Minority interests		<b>176,800</b>	141,214	—	—
<b>Net profit for the year</b>		<b>654,536</b>	351,398	<b>350,696</b>	78,741
<b>Earnings per share - sen</b>	10				
Basic		<b>79.04</b>	35.21		
Fully diluted		<b>78.87</b>	32.18		
<b>Gross dividend per share - sen</b>	11	<b>30.00</b>	18.50	<b>30.00</b>	18.50

The accompanying notes form an integral part of these financial statements.

## BALANCE SHEETS

As at 31 December 2007

		Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	1,661,484	1,362,636	5,393	11,443
Biological assets	13	345,468	185,292	—	—
Investment properties	14	634,562	554,898	56,002	—
Development properties	15	190,936	314,784	—	—
Prepaid land lease payments	16	150,935	150,963	1,708	2,227
Long term prepayments	17	134,132	140,378	—	—
Deferred tax assets	34	81,225	82,844	—	2,338
Subsidiaries	18	—	—	2,095,144	884,099
Associates	19	983,475	1,272,545	695,362	975,604
Investments	20	603,458	7,318	3,161	3,699
Offshore patrol vessel expenditure	21	455,341	—	—	—
Goodwill on consolidation	22	972,284	107,949	—	—
		6,213,300	4,179,607	2,856,770	1,879,410
<b>Current assets</b>					
Inventories	23	195,370	186,983	4,982	734
Property development in progress	24	111,225	64,120	—	—
Due from customers on contracts	25	53,972	—	—	—
Receivables	26	1,015,937	1,114,607	722,059	703,901
Deposits, cash and bank balances	27	753,831	190,553	7,333	8,263
Assets of disposal group classified as held for sale	28	2,130,335 97,475	1,556,263 29,990	734,374 —	712,898 —
		2,227,810	1,586,253	734,374	712,898
<b>TOTAL ASSETS</b>		8,441,110	5,765,860	3,591,144	2,592,308

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to shareholders of the Company					
Share capital	29	314,520	299,135	314,520	299,135
Non-distributable reserves	30	701,311	637,670	439,052	394,437
Retained earnings	31	1,345,090	986,860	490,228	231,076
Shareholders' equity		2,360,921	1,923,665	1,243,800	924,648
Minority interests		847,913	783,220	—	—
<b>TOTAL EQUITY</b>		<b>3,208,834</b>	<b>2,706,885</b>	<b>1,243,800</b>	<b>924,648</b>
<b>Non-current liabilities</b>					
Long term borrowings	32	1,152,124	672,775	320,000	390,000
Payables	33	19,992	44,640	—	7,002
Deferred tax liabilities	34	97,638	72,598	30	—
		1,269,754	790,013	320,030	397,002
<b>Current liabilities</b>					
Borrowings	35	2,231,109	1,628,272	1,085,797	631,019
Payables	33	1,432,817	607,829	908,933	617,802
Due to customers on contracts	25	231,392	—	—	—
Taxation		22,392	11,024	—	—
Dividend payable		32,584	21,837	32,584	21,837
Liabilities of disposal group associated with assets classified as held for sale	28	3,950,294 12,228	2,268,962 —	2,027,314 —	1,270,658 —
		3,962,522	2,268,962	2,027,314	1,270,658
<b>TOTAL LIABILITIES</b>		<b>5,232,276</b>	<b>3,058,975</b>	<b>2,347,344</b>	<b>1,667,660</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,441,110</b>	<b>5,765,860</b>	<b>3,591,144</b>	<b>2,592,308</b>
<b>Net assets per share attributable to ordinary shareholders of the Company - RM</b>		<b>3.75</b>	<b>3.22</b>		

The accompanying notes form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to Shareholders of the Company				Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Non-Distributable Reserves RM'000	Retained Earnings RM'000	Total RM'000		
<b>GROUP – 2007</b>						
At 1 January 2007	299,135	637,670	986,860	1,923,665	783,220	2,706,885
Exchange fluctuation	—	(4,189)	—	(4,189)	35	(4,154)
Writeback of deferred tax provision	—	264	—	264	141	405
Goodwill transfer to minority interests	—	—	—	—	(12,551)	(12,551)
Dilution in an Associate	—	(1,892)	(3,108)	(5,000)	—	(5,000)
Net losses not recognised in the income statement	—	(5,817)	(3,108)	(8,925)	(12,375)	(21,300)
Transfer during the year	—	24,854	(24,854)	—	—	—
Changes in Group structure						
- Additional investment in Subsidiaries	—	—	—	—	(209,547)	(209,547)
- Minority interests acquired upon additional investment in Associates (Note 18)	—	—	—	—	156,886	156,886
- Disposal of shares in a Subsidiary	—	(11)	—	(11)	1,667	1,656
Issue of shares pursuant to the conversion of bank guaranteed redeemable convertible bonds (Note 29)	15,385	44,615	—	60,000	—	60,000
Issue of shares by Subsidiaries to minority interests	—	—	—	—	80,837	80,837
Repayment of redeemable preference shares	—	—	—	—	(3,584)	(3,584)
Net profit for the year	—	—	477,736	477,736	176,800	654,536
Dividends (Note 11)						
- Final of the previous year	—	—	(26,204)	(26,204)	—	(26,204)
- Bonus of the previous year	—	—	(10,919)	(10,919)	—	(10,919)
- Interim of the current year	—	—	(54,421)	(54,421)	—	(54,421)
- Payable by Subsidiaries	—	—	—	—	(125,991)	(125,991)
At 31 December 2007	314,520	701,311	1,345,090	2,360,921	847,913	3,208,834



	Attributable to Shareholders of the Company				Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Non- Distributable Reserves RM'000	Retained Earnings RM'000	Total RM'000		
<b>GROUP – 2006</b>						
At 1 January 2006	296,045	644,887	834,889	1,775,821	708,295	2,484,116
Exchange fluctuation	—	1,480	—	1,480	—	1,480
Disposal of Subsidiary (Note 18)	—	(293)	—	(293)	—	(293)
Writeback of deferred tax provision	—	—	2,632	2,632	1,665	4,297
Dilution in Associates	—	(2,396)	(3,291)	(5,687)	—	(5,687)
Net losses not recognised in the income statement	—	(1,209)	(659)	(1,868)	1,665	(203)
Transfer during the year	—	9,518	(9,518)	—	—	—
Reserve realised during the year	—	(21,056)	21,056	—	—	—
Changes in Group structure						
- Additional investment in a Subsidiary	—	—	—	—	(19,144)	(19,144)
Issue of shares pursuant to ESOS (Note 29)	3,090	5,530	—	8,620	—	8,620
Issue of shares by Subsidiaries to minority interests	—	—	—	—	3,927	3,927
Repayment of redeemable preference shares	—	—	—	—	(5,416)	(5,416)
Net profit for the year	—	—	210,184	210,184	141,214	351,398
Dividends (Note 11)						
- Final of the previous year	—	—	(25,717)	(25,717)	—	(25,717)
- Interim of the current year	—	—	(43,375)	(43,375)	—	(43,375)
- Payable by Subsidiaries	—	—	—	—	(47,321)	(47,321)
At 31 December 2006	299,135	637,670	986,860	1,923,665	783,220	2,706,885

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Total RM'000
<b>COMPANY - 2007</b>				
At 1 January 2007	299,135	394,437	231,076	924,648
Issue of shares pursuant to the conversion of bank guaranteed redeemable convertible bonds (Note 29)	15,385	44,615	—	60,000
Net profit for the year	—	—	350,696	350,696
Dividends (Note 11)				
- Final of the previous year	—	—	(26,204)	(26,204)
- Bonus of the previous year	—	—	(10,919)	(10,919)
- Interim of the current year	—	—	(54,421)	(54,421)
At 31 December 2007	314,520	439,052	490,228	1,243,800
<b>COMPANY - 2006</b>				
At 1 January 2006	296,045	388,907	221,427	906,379
Issue of shares pursuant to ESOS (Note 29)	3,090	5,530	—	8,620
Net profit for the year	—	—	78,741	78,741
Dividends (Note 11)				
- Final of the previous year	—	—	(25,717)	(25,717)
- Interim of the current year	—	—	(43,375)	(43,375)
At 31 December 2006	299,135	394,437	231,076	924,648

The accompanying notes form an integral part of these financial statements.

## CASH FLOW STATEMENTS

For the year ended 31 December 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Operating activities</b>				
Cash receipts from customers	5,817,884	4,194,129	97,454	67,603
Cash paid to suppliers and employees	(5,318,203)	(4,103,306)	(99,742)	(71,580)
Cash generated from/(used in) operations	499,681	90,823	(2,288)	(3,977)
Income taxes (paid)/refunded	(35,594)	(43,706)	46,525	28,660
Net cash from operating activities	464,087	47,117	44,237	24,683
<b>Investing activities</b>				
Acquisition of Subsidiaries (Note 18)	123,601	—	(452,918)	—
Additional investment in Subsidiaries and Associates	(280,019)	(74,888)	(246,223)	(77,781)
Disposal of shares of a Subsidiary	4,756	—	4,756	—
Disposal of Subsidiaries (Note 18)	—	1,994	—	—
Disposal of Associates	—	620	—	620
Investments purchased	(44,944)	(190)	(1,828)	(190)
Proceeds from disposal of plantation assets	219,900	—	—	—
Proceeds from disposal of investments	23,807	6,626	2,257	6,626
Biological assets and property, plant and equipment				
– purchases	(214,453)	(204,406)	(1,008)	(1,492)
– disposals	32,668	4,816	10,487	21
Purchase and development of investment property	(64,215)	(43,435)	(56,002)	—
Dividends received	39,049	31,893	195,619	203,609
Interest received	12,439	3,980	38,238	11,852
Net cash (used in)/from investing activities	(147,411)	(272,990)	(506,622)	143,265

## CASH FLOW STATEMENTS

For the year ended 31 December 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Financing activities</b>				
Issue of shares				
– by the Company	—	8,620	—	8,620
– by Subsidiaries to minority interests	—	3,927	—	—
Dividends paid				
– by the Company	(80,797)	(68,539)	(80,797)	(68,539)
– by Subsidiaries to minority interests	(45,154)	(47,321)	—	—
Proceeds from long term loans	520,435	149,945	50,000	—
Repayment of long term loans	(410,141)	(159,670)	(60,000)	(20,000)
Increase of revolving credits and bankers' acceptances	492,896	297,583	495,750	124,250
Receipts from Group companies	—	—	861,926	594,962
Payments to Group companies	—	—	(624,041)	(708,525)
Interest paid	(178,954)	(122,632)	(140,411)	(105,987)
Repayment of redeemable preference shares	(3,584)	(5,416)	—	—
<b>Net cash from/(used in) financing activities</b>	<b>294,701</b>	<b>56,497</b>	<b>502,427</b>	<b>(175,219)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>611,377</b>	<b>(169,376)</b>	<b>40,042</b>	<b>(7,271)</b>
Foreign currency translation difference	(300)	(38)	—	—
Cash and cash equivalents at beginning of year	103,616	273,030	(37,756)	(30,485)
<b>Cash and cash equivalents at end of year</b>	<b>714,693</b>	<b>103,616</b>	<b>2,286</b>	<b>(37,756)</b>
Cash and cash equivalents at end of year comprise:				
Deposits, cash and bank balances (Note 27)	753,831	190,553	7,333	8,263
Overdrafts (Note 35)	(44,443)	(86,937)	(5,047)	(46,019)
	709,388	103,616	2,286	(37,756)
Cash and bank balances classified as held for sale (Note 28)	5,305	—	—	—
<b>Cash and cash equivalents at end of year</b>	<b>714,693</b>	<b>103,616</b>	<b>2,286</b>	<b>(37,756)</b>

The accompanying notes form an integral part of these financial statements.



## ACCOUNTING POLICIES

### (a) BASIS OF PREPARATION

The financial statements of the Group and the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below, and comply with applicable Financial Reporting Standards (FRSs) in Malaysia and the provisions of the Companies Act, 1965.

At the beginning of the financial year, the Group and the Company had adopted the revised FRSs which are mandatory for financial periods beginning on or after 1 January 2007 and those that are relevant to the Group and the Company as described fully in Note 2.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise stated.

### (b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the audited financial statements of the Company and its Subsidiaries made up to the end of the year. Subsidiaries are companies in which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity. Details of Subsidiaries are given on pages 161 to 164.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of Subsidiaries are prepared for the same reporting date as the Company, and uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances. All inter-company balances and transactions, including unrealised profits or losses arising from them are eliminated.

Acquisitions of Subsidiaries are accounted for using the purchase method. At the date of acquisition, the fair values of the Subsidiaries' assets acquired and liabilities and contingent liabilities assumed are determined and these values are reflected in the consolidated financial statements. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. The excess of the acquisition cost over the Group's interest in these fair values is reflected as goodwill. The excess of the Group's interest in these fair values over the acquisition cost represents negative goodwill, which is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in Subsidiaries that is not held by the Group and is presented separately within equity in the consolidated balance sheet. It is measured at the minorities' share of the fair value of the Subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the Subsidiaries' equity since then.

## ACCOUNTING POLICIES

### (c) ASSOCIATES

An Associate is defined as a company, not being a Subsidiary or an interest in a joint venture, in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies. Details of Associates are given on page 165.

Investments in Associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in an Associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the Associate, less distributions received and less any impairment in value of individual investments. The consolidated income statement reflects the Group's share of the Associate's results after tax. Where there has been a change recognised directly in the equity of an Associate, the Group recognises its share of such changes. Unrealised gains or losses on transactions between the Group and its Associates are eliminated to the extent of the Group's interest in the Associates. When the Group's share of losses exceeds its interest in an Associate, the Group does not recognise further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the Associate.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in an Associate. Associates are equity accounted from the date the Group obtains significant influence until the date the Group ceases to have significant influence.

Any goodwill arising on the acquisition of an Associate, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the Associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the Associate and is not amortised. To the extent that the net fair value of the Associate's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the Associate's profit or loss in the period in which the investment is acquired.

The most recent available financial statements of Associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group.

### (d) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

In the Company's separate financial statements, investments in Subsidiaries and Associates are stated at cost less impairment losses, if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

**(e) CURRENCY CONVERSION**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company. All transactions are recorded in Ringgit Malaysia.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in a currency other than the functional currency of the reporting entity or the foreign operations, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operations, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

## ACCOUNTING POLICIES

### (e) CURRENCY CONVERSION (cont'd.)

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the exchange rates ruling at the balance sheet date.

Goodwill and fair value adjustments arising on the acquisition of a foreign Subsidiary before 1 January 2006 are deemed to be the assets and liabilities of the parent company and are recorded in RM at the exchange rates ruling at the date of the acquisition.

The principal closing rates used in the translation of foreign currency amounts are as follows:

Foreign currency	2007	2006
1 US Dollar	RM3.31	RM3.52
1 Euro	RM4.87	RM4.64
1 Sterling Pound	RM6.61	RM6.92
1,000 Indonesian Rupiah	RM0.35	RM0.39
1 Singapore Dollar	RM2.30	RM2.30

### (f) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

All property, plant and equipment are initially stated at cost. Certain land and buildings are subsequently shown at 1992 and 2001 valuation less subsequent depreciation and impairment loss.

The Directors have not adopted a policy of regular valuation, and have applied the transitional provisions of IAS 16 (Revised) : Property, Plant and Equipment which permits those assets to be stated at their prevailing valuations less depreciation. The valuations were determined by independent professional valuers on the open market basis, and no later valuations were recorded. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases that range from 29 to 999 years. Other assets are depreciated on a straight-line basis to write off the cost or valuation of the assets to their residual values, over the term of their estimated useful lives as follows:

Buildings	20 – 80 years
Plant & machinery	7 – 20 years
Furniture & equipment	3 – 10 years
Motor vehicles	3 – 10 years

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.



**(f) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (cont'd.)**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

**(g) BIOLOGICAL ASSETS**

The expenditure on new planting and replanting of a different produce crop incurred up to the time of maturity is capitalised while the initial costs of planting on the area replanted are charged to the income statement. Depreciation charges and external borrowing costs related to the development of new plantations are included as part of the capitalisation of immature planting costs. Replanting expenditure incurred in respect of the same crop is charged to the income statement in the year in which it is incurred. Plantation development expenditure is not amortised other than for those planted on short term leases held in Indonesia which are amortised over the life of the leases.

**(h) INVESTMENT PROPERTIES**

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Such properties are measured initially at cost, including transaction costs, and thereafter are stated at fair value, which is determined by Directors by reference to market evidence of transaction prices for similar properties, and valuation performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from the disposal. Any difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss in the year in which they arise.

**(i) INVESTMENTS**

Malaysian Government Securities, Cagamas papers and other unquoted approved debt securities as specified by Bank Negara Malaysia (BNM), are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on an effective yield basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the income statement and/or revenue account.

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis by category of investments, except that if diminution in value of a particular investment is not regarded as temporary, specific allowance is made against the value of that investment. Market value is determined by reference to the stock exchange closing prices at the balance sheet date.

## ACCOUNTING POLICIES

### (i) INVESTMENTS (cont'd.)

Unquoted investments in unit trusts are stated at the lower of cost or market value. Other unquoted investments are stated at cost and allowance is made where in the opinion of the Directors, there is such a decline other than temporary in the value of an investment. Where there is such a decline in the value of an investment, such a decline is recognised as an expense in the financial year in which the decline is identified.

On disposal, the difference between the net disposal proceeds and its carrying value is recognised in profit or loss.

### (j) GOODWILL

After initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised, but instead, it is reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount including goodwill, an impairment loss is recognised in the income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

### (k) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS

#### (i) Development properties

Development properties are stated at cost less any accumulated impairment losses. Development properties comprise land banks which are in the process of being prepared for development but are not expected to be launched for sale. Cost includes land, materials, direct labour, professional fees, borrowing costs and other direct development cost and related overheads.

#### (ii) Property development in progress

Property development in progress comprises cost of land currently being developed together with related development costs common to the whole project and direct building costs, and less anticipated losses, if any. Development revenue and expenses are recognised in the income statement when the financial outcome of the development activity can be reliably estimated. Where the outcome cannot be reliably estimated, revenue is recognised to the extent that costs are recoverable, and costs on properties sold are expensed in the period incurred. The excess or shortfall of revenue over billings to purchasers is classified as accrued billings within trade receivables or progress billings within trade payables respectively.

**(l) CONSTRUCTION CONTRACTS**

Where the outcome of a construction contract involving the rendering of services can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to proportion of contract costs incurred for work performed to date to the estimated total contract costs.

When the total of cost incurred on construction contracts involving the rendering of services plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed cost incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

**(m) REVENUE RECOGNITION**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from the sale of goods and services is recognised when the goods and services are delivered. Revenue from property development and other long term contracts is recognised on the percentage of completion method by reference to the percentage of actual construction work completed. Rental income represents the invoiced value derived from the letting of properties, while finance charges from hire purchase activities are recognised over the period of the hire purchase contracts in proportion to net funds invested. Revenue from rental of hotel rooms, sale of food and beverage and other related income are recognised on an accrual basis. Tuition fees are recognised on an accrual basis whereas non-refundable registration and enrolment fees are recognised when chargeable.

Dividends from Subsidiaries, Associates and other investee companies are recognised in the income statements when the right to receive payment is established. Interest income is recognised as it accrues unless collection is doubtful. Sales and other revenue earned from intra-group companies are eliminated on consolidation, and the revenue of Associates is excluded from Group revenue.

**(n) GENERAL INSURANCE UNDERWRITING RESULTS**

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premiums and claims incurred.

**(i) Premium income**

Premiums are recognised in a financial year in respect of the risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of debit notes. Premiums in respect of risks incepted for which debit notes or policies have not been raised as of the balance sheet date are accrued at that date.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers. Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

## ACCOUNTING POLICIES

### (n) GENERAL INSURANCE UNDERWRITING RESULTS (cont'd.)

#### (ii) Unearned premium reserves

Unearned premium reserves (UPR) represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at the balance sheet date, the method that most accurately reflects the actual unearned premium is used, as follows:

- 25% method for marine and aviation cargo, and transit business;
- Time apportionment method for non-annual policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM; and
- 1/24th method for all other classes of general business in respect of Malaysian policies, reduced by the corresponding percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

#### (iii) Provision for claims

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less reinsurance recoveries, to settle the present obligation at the balance sheet date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported (IBNR) at the balance sheet date, based on an actuarial valuation by a qualified actuary.

#### (iv) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums, is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

### (o) INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax, and is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided for using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.



**(p) EMPLOYEE BENEFITS**

Short term benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

As required by law, the Group and Company makes contributions to the Employees Provident Fund. Some of the Group's foreign Subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are expensed in the income statement as and when incurred. The Group pays termination benefits in cases of termination of employment. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

**(q) JOINT VENTURE PLANTATION**

The Group has a 50% interest in a joint venture plantation known as Kuala Muda Estate. The Group accounts for its interest in the plantation's operations by including in the financial statements, in the respective categories, its share in each of the individual assets and liabilities employed as well as the Group's share in the revenue and costs.

**(r) INVENTORIES**

Inventories are stated at the lower of cost and net realisable value, cost being determined on the weighted average basis. Cost includes all incidentals incurred in bringing the inventories into store; and in the case of produce stocks, includes harvesting, manufacturing and transport charges, where applicable. Net realisable value represents the estimated selling price less all estimated costs. Inventories of completed properties comprise cost of land and the relevant development cost.

**(s) RESEARCH AND DEVELOPMENT**

The Group's research and development is undertaken through an Associate, whereby contribution towards such related activity is recognised as an expense as and when incurred.

**(t) FINANCIAL INSTRUMENTS**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company have an enforceable legal right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously. The Group does not have any off balance sheet financial instruments.

## ACCOUNTING POLICIES

### (t) FINANCIAL INSTRUMENTS (cont'd.)

#### (i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include deposits, cash and bank balances, overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant amount of risk.

#### (ii) Other non-current investments

Non-current investments other than investments in Subsidiaries, Associates and investment properties are stated at cost less impairment losses. On disposal, the difference between the net disposal proceeds and its carrying value is recognised in profit or loss.

#### (iii) Trade receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts.

#### (iv) Payables and provision

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed or unbilled. Provisions are recognised when the Group and the Company have present obligations as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amounts of the obligations.

#### (v) Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received. Costs incurred on external borrowings to finance long term qualifying assets are capitalised until the assets are ready for their intended use, after which such expenses are charged to the income statement. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

#### (vi) Redeemable convertible bonds

Redeemable convertible bonds are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the redeemable convertible bonds and the fair value assigned to the liability component representing the conversion option is included in shareholders' equity.

The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

**(t) FINANCIAL INSTRUMENTS (cont'd.)****(vii) Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period that they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributed to equity transactions which would otherwise have been avoided.

**(u) IMPAIRMENT OF NON-FINANCIAL ASSETS**

The carrying amounts of assets, other than investment property, property development costs, inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. Where there is an indication of impairment, the recoverable amount of the asset or cash generating unit (CGU) is estimated to determine the amount of impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset or CGU that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. Reversals of impairment loss are recognised as an income immediately in the income statements, except for the reversal of an impairment loss on a revalued asset where the reversal is recognised as income to the extent of the impairment loss previously recognised as an expense in the income statements, with the excess credited to the revaluation reserve.

**(v) SEGMENTAL REPORTING**

The primary reporting segment information is in respect of business segments as the Group's risk and return are affected predominantly by the differences in the products and services it produces. The secondary reporting segment information is in respect of geographical segments based on the country in which customers are located. Currently, the Group operates principally in Malaysia, with no other individual country contributing more than 10% of the consolidated revenue or assets.

Transactions between segments are carried out on arm's length basis.

## ACCOUNTING POLICIES

### (w) LEASES

A lease is recognised as a finance lease if it transfers substantially to the Group all the risk and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. Subsequently, the land and buildings elements of a lease are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases other than for a property held under an operating lease that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

#### (i) Operating lease – the Group as a lessee

Leases of assets under which all the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

#### (ii) Lease of land and building

The minimum lease payments including lump-sum upfront payments made to acquire the interest in the land and building, are allocated between land and building elements in proportion to the relative fair values of the leasehold interest in the land element and the building element at the inception of the lease.

The lump-sum upfront lease payments made represent prepaid lease payments and are amortised over the lease term on a straight-line basis except for leasehold land that is classified as an investment property or an asset held under property development.

For leases of land and building in which the amount that would initially be recognised for land element is immaterial, the land and building is treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

### (x) ASSETS HELD FOR SALE

Non-current assets or disposal group are classified as being held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of carrying amount and fair value less costs to sell when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to the terms that are usual and customary.

### (y) OFFSHORE PATROL VESSEL EXPENDITURE

The design and integrated logistics support cost which relates to the privatisation agreement with the Government of Malaysia (the Government) for the construction of 27 units of Offshore Patrol Vessel (OPV), of which 6 units have been secured and remaining 21 units are to be awarded by the Government. This expenditure is stated at cost less any accumulated impairment loss. The Group considers portion of the OPV expenditure as current assets where significant development has been undertaken and is expected to be completed within the normal operating cycle.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, including interest rate, credit, liquidity and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders while minimising the potential adverse effects on the Group's financial performance. The Group does not trade in financial instruments.

#### Interest rate risk

The Group finances its operations through operating cash flows and borrowings which are principally denominated in Ringgit Malaysia. The Group's policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities and private debt securities.

#### Liquidity and cash flow risk

The Group practises prudent liquidity risk management by maintaining an adequate amount of committed credit facilities.

#### Credit risk

The Group seeks to invest cash assets safely and profitably. The Group also seeks to control credit risk by setting counterparty limits, obtaining bank guarantees where appropriate; and ensuring that sale of products and services are made to customers with an appropriate credit history, and monitoring customers' financial standings through periodic credit reviews and credit checks at point of sales. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

#### Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating Subsidiaries/activities to transaction risks by matching local currency income against local currency costs. The currency giving rise to this risk is primarily US Dollar, Euro and Great Britain Pound (GBP). Foreign exchange exposures are kept to an acceptable level.

#### Fair values

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (excluding non-trade amounts due to/from group companies) and short term borrowings.

The fair values of the non-current quoted investments are represented by their market values as disclosed in Note 20 to the financial statements.

It is not practical to estimate the fair values of the non-current unquoted investments of the Group and the Company because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs. However, the Group and the Company believe that the carrying amounts represent recoverable values.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

#### Fair values (cont'd.)

It is also not practical to estimate the fair values of non-trade amounts due to/from Subsidiaries and Associates, as there are no fixed repayment terms between the parties involved and without having to incur excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The fair values of long term borrowings are estimated using discounted cash flow analysis. Based on the prevailing borrowing rates of similar borrowings obtainable by the Group and the Company, the carrying values of the long term borrowings approximate their fair values.

### 2 CHANGES IN ACCOUNTING POLICIES

On 1 January 2007, the Group and the Company adopted the following FRSs which are mandatory for financial periods beginning on or after 1 October 2006:

FRS 117: Leases

FRS 124: Related party disclosures

The Group has not early adopted the deferred FRS 139 - Financial instruments: recognition and measurement and the following FRSs and amendments that are mandatory for financial periods beginning on or after 1 July 2007:

- (i) Amendment to FRS 121: The effects of changes in foreign exchange rates - net investment in a foreign operation
- (ii) FRS 107: Cash flow statements
- (iii) FRS 111: Construction contracts
- (iv) FRS 112: Income taxes
- (v) FRS 118: Revenue
- (vi) FRS 120: Accounting for government grants and disclosures of government assistance
- (vii) FRS 134: Interim financial reporting 1 July 2007
- (viii) FRS 137: Provisions, contingent liabilities and contingent assets
- (ix) IC Interpretation 1: Changes in existing decommissioning, restoration and similar liabilities
- (x) IC Interpretation 2: Members' shares in co-operative entities and similar instruments
- (xi) IC Interpretation 5: Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
- (xii) IC Interpretation 6: Liabilities arising from participating in a specific market – waste electrical and electronic equipment
- (xiii) IC Interpretation 7: Applying the restatement approach under FRS 129
- (xiv) Financial reporting in hyperinflationary economies
- (xv) IC Interpretation 8: Scope of FRS 2

## 2 CHANGES IN ACCOUNTING POLICIES (cont'd.)

The adoption of FRS 117 and FRS 124 does not have a significant financial impact on the Group. The principal effects of the changes in accounting policies and their effects resulting from the adoption of FRS 117 are discussed below:

### (a) Adoption of FRS 117: Leases

Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated amortisation and impairment loss, if any. In addition, prepaid lease rental was classified as other receivables and was carried at anticipated realisable value.

Under FRS 117, leasehold land and prepaid lease rentals are classified as operating lease and the up-front payments made represent prepaid lease payments. In accordance with the transitional provisions of FRS 117, the unamortised amount of leasehold land and prepaid lease rentals as at 1 January 2007 are retained as the surrogate carrying amount of prepaid lease payments and presented as a separate line item under non-current assets and are amortised on a straight-line basis over the remaining lease terms.

The reclassifications have been accounted for retrospectively. Accordingly, certain comparatives have been restated as disclosed in Note 2(b). There is no financial impact on the income statement of the Group and of the Company.

### (b) Effects from adoption of FRS 117

#### (i) Effects on balance sheet as at 31 December 2007

Increase/(decrease)	Group RM'000	Company RM'000
Property, plant and equipment	(150,935)	(1,708)
Prepaid land lease payments	150,935	1,708

#### (ii) Restatement of comparatives

	Previously stated RM'000	Increase/ (decrease) RM'000	Restated RM'000
<b>Group</b>			
Property, plant and equipment	1,513,599	(150,963)	1,362,636
Prepaid land lease payments	—	150,963	150,963
<b>Company</b>			
Property, plant and equipment	13,670	(2,227)	11,443
Prepaid land lease payments	—	2,227	2,227

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

#### (a) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges.

#### (b) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition the estimation of the useful lives of property, plant and equipment and plantation assets are based on the internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

#### (c) Impairment of biological assets and property, plant and equipment

The Group reviews the carrying amounts of the biological assets and property, plant and equipment as at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of biological assets and property, plant and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd.)

#### (d) Property development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

#### (e) Construction contracts

The Group recognises construction revenue and costs, including rendering of services, in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract projects. In making the judgement, the Group evaluates by relying on past experience and the work of specialists.

#### (f) Deferred tax assets

The Group's assessment on the recognition of deferred tax assets on non-deductible temporary differences is based on the forecast taxable income of the following reporting period. This forecast is based on the Group's past results and future expectations on revenue and expenses.

#### (g) Provision for outstanding claims

Outstanding claims for each class of business of the insurance Subsidiary are estimated by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected estimates are based on a judgemental consideration of results of each method and qualitative information, for example, the class of business, the maturity of the portfolio and expected term to settlement of the class. Projections are based on historical experience and external benchmarks where relevant.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd.)

#### (h) Offshore patrol vessel (OPV)

During the year, the budget for OPV was revised with certain key assumptions and comprise actual costs incurred to date with estimated costs to complete as well as contingencies. The contingencies are dependable on the outcome of the commissioning of the remaining 4 vessels. However, based on existing knowledge, the Group is of the opinion that if the outcome within the next financial year is different from the assumptions, there would not be a material adjustment to the carrying amount of asset.

### 4. REVENUE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sale of produce	720,729	468,391	96,206	69,332
Sale of goods	3,315,640	3,229,045	—	—
Sale of development properties	284,669	213,652	—	—
Gross insurance premium	66,970	—	—	—
Revenue from agency business	53,279	50,204	—	—
Rental income - investment properties	56,524	48,969	—	—
- others	8,269	9,044	4,132	985
Ship repair	33,282	—	—	—
Shipbuilding	1,095,812	—	—	—
Others	116,745	95,021	—	—
	5,751,919	4,114,326	100,338	70,317

## 5. OPERATING COST

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Changes in inventories of finished goods and work in progress	16,661	25,205	—	(31)
Finished goods and work in progress purchases	3,415,424	3,095,246	—	—
Raw material and consumables used	755,740	260,048	86,907	63,189
Staff costs	221,683	179,544	6,512	6,346
Defined contribution plans	33,253	26,899	977	952
Depreciation	87,170	70,036	1,113	978
Amortisation of prepaid land lease payments (Note 16)	3,561	3,665	22	27
Profit on disposal of property, plant and equipment	(4,528)	(7,364)	(4,041)	(21)
Fair value gain on investment properties (Note 14)	(16,431)	—	—	—
Impairment loss				
– Property, plant and equipment (Note 12)	397	9,500	—	—
– Biological assets (Note 13)	—	9,500	—	—
General insurance underwriting				
– Reinsurance	34,962	—	—	—
– Net claims incurred	23,814	—	—	—
Supply and cooking oil price stabilisation cess	16,970	—	426	—
Other operating cost	412,841	262,279	9,640	9,503
	5,001,517	3,934,558	101,556	80,943
Other operating cost include:				
Rent paid				
– plantation assets	117,678	68,938	3,658	3,658
– others	20,346	14,456	1,168	1,090
Auditors' remuneration				
– statutory audit	2,119	1,312	120	95
– non audit fees	48	25	48	25
Directors' fees				
– current year	646	365	280	135
Directors' remuneration				
– emoluments	2,580	1,541	79	82
– benefits	92	135	40	44
Hire of equipment	2,215	155	—	—
Bad and doubtful debts				
– Subsidiaries	—	—	1,300	3,046
– others	11,436	2,536	497	34
Research and development	5,307	4,724	—	—
Net foreign exchange (gain)/loss	(1,364)	(19,918)	11	—
Inventories – writedown	4,939	342	—	—
– writeback	(1,091)	—	—	—

## NOTES TO THE FINANCIAL STATEMENTS

### 5. OPERATING COST (cont'd.)

	Number of Directors	
	Non-executive	Executive
From RM50,001 to RM100,000	2	
From RM100,001 to RM150,000	2	
From RM250,001 to RM300,000	1	
From RM850,001 to RM900,000		1
From RM1,800,001 to RM1,850,000		1

### 6. INTEREST INCOME

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest income - Subsidiaries	—	—	38,000	29,523
- Associates	1,049	1,799	136	564
- others	11,390	2,181	85	52
	12,439	3,980	38,221	30,139

## 7. OTHER INVESTMENT INCOME/(LOSS)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross dividends from quoted shares in Malaysia:				
- Subsidiaries	—	—	55,589	43,242
- Associates	—	—	20,035	19,064
- others	25,917	225	189	225
Gross dividends from unquoted shares in Malaysia:				
- Subsidiaries	—	—	156,936	157,075
- Associates	—	—	15,302	22,254
- others	1,247	225	—	—
Profit on sale of investments	5,318	1,658	892	1,577
(Loss)/profit on disposal on shares in a Subsidiary	(1,038)	—	618	—
(Loss)/profit on disposal of Associates	—	(17)	—	46
Profit on disposal of a Subsidiary (Note 18)	—	1,896	—	—
Impairment loss				
- Associate and Subsidiaries	—	(15,000)	(8,879)	(64,612)
- other investments	(3,461)	(5,000)	(1,000)	—
Reversal of impairment loss				
- Subsidiary	—	—	249,500	—
- other investments	—	1,000	—	1,000
Negative goodwill recognised	38,455	6,275	—	—
	66,438	(8,738)	489,182	179,871

## NOTES TO THE FINANCIAL STATEMENTS

### 8. FINANCE COST

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest expense on:				
Loans from Subsidiaries	—	—	61,841	59,779
Bank borrowings	126,344	90,516	45,447	30,148
Bank guaranteed serial bonds	7,804	6,089	7,804	6,089
Bank guaranteed redeemable convertible bonds	18,068	18,289	18,068	18,289
Islamic bonds	3,000	7,350	—	—
Redeemable convertible bonds	9,453	8,855	—	—
	164,669	131,099	133,160	114,305
Less: Interest expense capitalised in qualifying assets	(39,062)	(12,642)	—	—
	125,607	118,457	133,160	114,305

### 9. TAXATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tax expense for the year:				
Malaysian income tax	61,967	29,939	38,260	6,192
Foreign income tax	91	—	—	—
Deferred tax relating to origination and reversal of temporary differences	107,355	8,563	1,824	(33)
	169,413	38,502	40,084	6,159
(Over)/under provision in prior years:				
Current	(2,761)	(5,033)	1,701	—
Deferred	7,626	1,564	544	179
	174,278	35,033	42,329	6,338

Domestic income tax is calculated at the Malaysian statutory rate of 27% (2006: 28%) of the estimated assessable profit for the year.



**9. TAXATION (cont'd.)**

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before taxation	<b>828,814</b>	386,431	<b>393,025</b>	85,079
Taxation at Malaysian statutory rate of 27% (2006: 28%)	<b>223,780</b>	108,200	<b>106,117</b>	23,822
Difference in tax rate	<b>1,182</b>	—	—	—
Effects of changes in tax rates on closing balance of deferred tax	<b>1,655</b>	—	—	—
Income not subject to tax	<b>(33,314)</b>	(81,413)	<b>(69,335)</b>	(36,443)
Effects of share of results in Associates	<b>(22,664)</b>	(22,690)	—	—
Expenses not deductible for tax purpose	<b>24,322</b>	21,287	<b>3,345</b>	19,075
Tax incentives	<b>(7,942)</b>	(2,432)	—	—
Deferred tax assets not recognised during the year	<b>16,981</b>	23,230	—	—
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	<b>(31,889)</b>	(9,077)	—	—
Others	<b>(2,698)</b>	1,397	<b>(43)</b>	(295)
Under/(over) provision in prior years	<b>169,413</b> <b>4,865</b>	38,502 (3,469)	<b>40,084</b> <b>2,245</b>	6,159 179
Tax expense for the year	<b>174,278</b>	35,033	<b>42,329</b>	6,338

## NOTES TO THE FINANCIAL STATEMENTS

### 10. EARNINGS PER SHARE

#### Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2007	2006
Net profit for the year (RM'000)	477,736	210,184
Weighted average number of ordinary shares in issue ('000)	604,423	596,906
Basic earnings per share (sen)	79.04	35.21

#### Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the year have been adjusted for dilutive effects of all potential ordinary shares in respect of a Subsidiary's redeemable convertible bonds and the Company's bank guaranteed redeemable convertible bonds.

	Group	
	2007	2006
<b>RM'000</b>		
Net profit for the year	477,736	210,184
After-tax effects of interest on bank guaranteed redeemable convertible bonds	—	6,741
After-tax effects of potential dilution upon conversion of a Subsidiary's redeemable convertible bonds	(1,019)	(8,312)
Adjusted net profit for the year	476,717	208,613
<b>'000</b>		
Weighted average number of ordinary shares in issue	604,423	596,906
Effects of dilution from bank guaranteed redeemable convertible bonds	—	51,282
Adjusted weighted average number of ordinary shares in issue and issuable	604,423	648,188
Diluted earnings per share (sen)	78.87	32.18

## 11. DIVIDENDS

	Dividend amount		Gross dividend per ordinary share	
	2007 RM'000	2006 RM'000	2007 Sen	2006 Sen
Interim:				
First interim of 10% (2006: 10%) less tax paid on 5 October 2007	21,837	21,538	5.00	5.00
Second interim of 14% (2006: 10%) less tax paid on 18 January 2008	32,584	21,837	7.00	5.00
	54,421	43,375	12.00	10.00
Proposed:				
Final of 16% (2006: 12%) less tax payable on 12 May 2008	37,239	26,204	8.00	6.00
Bonus of 20% (2006: 5%) less tax payable on 12 May 2008	46,549	10,919	10.00	2.50
	138,209	80,498	30.00	18.50

The Directors will propose at the forthcoming Annual General Meeting to be held on 3 April 2008, a final dividend and a bonus dividend of 16% and 20% per share less tax respectively, amounting to RM83,788,024. These financial statements do not reflect the final dividend and bonus dividend which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2008 when approved by shareholders.

## NOTES TO THE FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Property RM'000	Leasehold Property RM'000	Plant and Machinery RM'000	Others RM'000	Total RM'000
<b>GROUP – 2007</b>					
<b>At cost or valuation</b>					
At beginning of the year					
As previously stated	600,946	530,981	299,884	361,611	1,793,422
Transfer to prepaid land lease payments	—	(147,903)	—	(20,043)	(167,946)
As restated	600,946	383,078	299,884	341,568	1,625,476
Assets of Subsidiaries acquired (Note 18)	15,246	66,077	59,942	238,144	379,409
Additions	6,519	24,882	17,404	156,604	205,409
Disposals	(5,700)	(8,430)	(6,078)	(12,719)	(32,927)
Transfer to biological assets (Note 13)	(114)	(208,857)	—	—	(208,971)
Transfer from investment properties (Note 14)	21,600	—	—	—	21,600
Transfer to assets held for sale (Note 28)	(10)	(36,118)	(19,205)	(3,379)	(58,712)
Reclassification	46,475	13,801	93,150	(153,426)	—
Exchange adjustment	—	(2,549)	(59)	(2,786)	(5,394)
At end of year	684,962	231,884	445,038	564,006	1,925,890
<b>Accumulated depreciation and impairment</b>					
At beginning of the year					
As previously stated	12,832	86,358	71,260	109,373	279,823
Transfer to prepaid land lease payments	—	(16,983)	—	—	(16,983)
As restated	12,832	69,375	71,260	109,373	262,840
Charge for the year	9,676	13,864	42,037	23,679	89,256
Disposals	(2,060)	(2,971)	(5,402)	(10,427)	(20,860)
Impairment	177	—	—	220	397
Transfer to biological assets (Note 13)	—	(46,692)	—	—	(46,692)
Transfer to assets held for sale (Note 28)	(10)	(6,982)	(9,793)	(2,645)	(19,430)
Reclassification	413	39	—	(452)	—
Exchange adjustment	—	(716)	(109)	(280)	(1,105)
At end of year	21,028	25,917	97,993	119,468	264,406
<b>Net book value at 31 December 2007</b>	<b>663,934</b>	<b>205,967</b>	<b>347,045</b>	<b>444,538</b>	<b>1,661,484</b>
<b>Accumulated impairment at 31 December 2007</b>	<b>177</b>	<b>—</b>	<b>—</b>	<b>2,749</b>	<b>2,926</b>

	Freehold Property RM'000	Leasehold Property RM'000	Plant and Machinery RM'000	Others RM'000	Total RM'000
<b>GROUP – 2006</b>					
<b>At cost or valuation</b>					
At beginning of the year					
As previously stated	724,339	532,923	257,947	265,799	1,781,008
Transfer to prepaid land lease payments	—	(142,033)	—	(13,227)	(155,260)
As restated	724,339	390,890	257,947	252,572	1,625,748
Assets of Subsidiary disposed (Note 18)	—	(2,644)	—	—	(2,644)
Additions	865	17,887	55,199	105,299	179,250
Disposals	(114,201)	(24,707)	(13,037)	(5,673)	(157,618)
Transfer to assets held for sale (Note 28)	(20,294)	—	—	—	(20,294)
Reclassification	10,237	879	(239)	(10,877)	—
Exchange adjustment	—	773	14	247	1,034
At end of year	600,946	383,078	299,884	341,568	1,625,476
<b>Accumulated depreciation and impairment</b>					
At beginning of the year					
As previously stated	11,435	74,251	52,672	98,439	236,797
Transfer to prepaid land lease payments	—	(13,773)	—	—	(13,773)
As restated	11,435	60,478	52,672	98,439	223,024
Assets of Subsidiary disposed (Note 18)	—	(751)	—	—	(751)
Charge for the year	10,358	12,945	30,431	15,413	69,147
Disposals	(8,264)	(13,026)	(11,908)	(4,519)	(37,717)
Impairment	—	9,500	—	—	9,500
Transfer to assets held for sale (Note 28)	(697)	—	—	—	(697)
Exchange adjustment	—	229	65	40	334
At end of year	12,832	69,375	71,260	109,373	262,840
<b>Net book value at 31 December 2006</b>	<b>588,114</b>	<b>313,703</b>	<b>228,624</b>	<b>232,195</b>	<b>1,362,636</b>
<b>Accumulated impairment at 31 December 2006</b>	<b>—</b>	<b>39,845</b>	<b>—</b>	<b>2,529</b>	<b>42,374</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 12 PROPERTY, PLANT AND EQUIPMENT (cont'd.)

	Freehold Property RM'000	Leasehold Property RM'000	Plant and Machinery RM'000	Others RM'000	Total RM'000
<b>COMPANY – 2007</b>					
<b>At cost</b>					
At beginning of year					
As previously stated	4,936	11,070	597	9,837	26,440
Transfer to prepaid land lease payments	—	(2,616)	—	—	(2,616)
As restated	4,936	8,454	597	9,837	23,824
Additions	—	—	407	600	1,007
Transfer from Group company	—	—	—	(9)	(9)
Disposals	(4,322)	(6,011)	—	(242)	(10,575)
At end of year	614	2,443	1,004	10,186	14,247
<b>Accumulated depreciation</b>					
At beginning of year					
As previously stated	1,507	3,772	279	7,212	12,770
Transfer to prepaid land lease payments	—	(389)	—	—	(389)
As restated	1,507	3,383	279	7,212	12,381
Charge for the year	140	141	66	766	1,113
Transfer from Group company	—	—	—	(9)	(9)
Disposals	(1,520)	(2,442)	—	(669)	(4,631)
At end of year	127	1,082	345	7,300	8,854
<b>Net book value at 31 December 2007</b>	<b>487</b>	<b>1,361</b>	<b>659</b>	<b>2,886</b>	<b>5,393</b>

	Freehold Property RM'000	Leasehold Property RM'000	Plant and Machinery RM'000	Others RM'000	Total RM'000
<b>COMPANY – 2006</b>					
<b>At cost</b>					
At beginning of year					
As previously stated	4,835	11,070	—	8,832	24,737
Transfer to prepaid land lease payments	—	(2,616)	—	—	(2,616)
As restated	4,835	8,454	—	8,832	22,121
Additions	101	—	263	1,128	1,492
Transfer from Group company	—	—	334	—	334
Disposals	—	—	—	(123)	(123)
At end of year	4,936	8,454	597	9,837	23,824
<b>Accumulated depreciation</b>					
At beginning of year					
As previously stated	1,311	3,566	—	6,756	11,633
Transfer to prepaid land lease payments	—	(362)	—	—	(362)
As restated	1,311	3,204	—	6,756	11,271
Charge for the year	196	179	24	579	978
Transfer from Group company	—	—	255	—	255
Disposals	—	—	—	(123)	(123)
At end of year	1,507	3,383	279	7,212	12,381
<b>Net book value at 31 December 2006</b>	<b>3,429</b>	<b>5,071</b>	<b>318</b>	<b>2,625</b>	<b>11,443</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Analysis of net book value of properties:</b>				
Freehold property				
- land	238,193	222,022	285	823
- building	425,741	366,092	202	2,606
	663,934	588,114	487	3,429
Leasehold property				
- Long leasehold building	127,560	217,803	1,361	1,406
- Short leasehold building	78,407	95,900	—	3,665
	205,967	313,703	1,361	5,071
	869,901	901,817	1,848	8,500
<b>Analysis of cost or valuation:</b>				
Cost	1,790,626	1,490,212	14,247	23,824
Valuation - 1992	7,264	7,264	—	—
Valuation - 2001	128,000	128,000	—	—
	1,925,890	1,625,476	14,247	23,824

Other property, plant and equipment comprises furniture and equipment, motor vehicles and capital work in progress.

Properties stated at valuation are based on independent professional valuations carried out on an open market basis. As allowed by the Financial Reporting Standard on property, plant and equipment, these assets have continued to be stated on the basis of their previous valuations.

Pursuant to the sale and leaseback of plantation assets referred to in Note 39 to the financial statements, the Group and the Company will enjoy the continued use of these assets spanning over an area of 48,940 hectares (2006: 46,896 hectares) and 1,411 hectares (2006: 1,411 hectares) of plantation land respectively.

The net book value of revalued properties of the Group that would have been included in the financial statements, had these assets been carried at cost less depreciation, are as follows:

	Group	
	2007 RM'000	2006 RM'000
Freehold property	65,937	67,333
Long leasehold property	2,323	3,096
	68,260	70,429

### 13. BIOLOGICAL ASSETS

	Group	
	2007 RM'000	2006 RM'000
<b>GROUP</b>		
<b>At cost</b>		
At 1 January	250,290	312,416
Additions	11,758	5,973
Disposals	(2,522)	(58,463)
Transfer from property, plant and equipment (Note 12)	208,971	—
Transfer to assets held for sale (Note 28)	(99,826)	(10,393)
Exchange adjustment	(4,203)	757
At 31 December	364,468	250,290

## NOTES TO THE FINANCIAL STATEMENTS

### 13. BIOLOGICAL ASSETS (cont'd.)

	Group	
	2007 RM'000	2006 RM'000
<b>Accumulated depreciation and impairment</b>		
At 1 January	64,998	59,447
Charge for the year	2,022	889
Disposals	(1,907)	(5,430)
Transfer from property, plant and equipment (Note 12)	46,692	—
Transfer to assets held for sale (Note 28)	(84,032)	—
Impairment	—	9,500
Exchange adjustment	(8,773)	592
At 31 December	19,000	64,998
<b>Net book value at 31 December</b>	<b>345,468</b>	<b>185,292</b>
<b>Accumulated impairment at 31 December</b>	<b>19,000</b>	<b>55,591</b>

The additions to biological assets during the year include interest capitalised of RM1,344,000 (2006: RM780,000).

### 14. INVESTMENT PROPERTIES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 January	554,898	512,399	—	—
Fair value adjustment (Note 5)	16,431	—	—	—
Acquisition of Subsidiaries (Note 18)	24,837	—	—	—
Purchase during the year	54,000	—	54,000	—
Transfer to property, plant and equipment (Note 12)	(21,600)	—	—	—
Additions from subsequent expenditure	5,996	42,499	2,002	—
At 31 December	634,562	554,898	56,002	—

The above freehold properties are stated at valuation based on Directors' valuation by reference to market evidence of transaction prices for similar properties.



**15. DEVELOPMENT PROPERTIES**

	Group	
	2007 RM'000	2006 RM'000
At beginning of year		
Freehold land, at cost	63,497	78,503
Long leasehold land, at cost	25,386	26,317
Development cost	225,901	232,258
	314,784	337,078
Development cost incurred during the year	34,335	40,076
Transfer to property development in progress (Note 24)		
Freehold land	(34,020)	(15,006)
Long leasehold land	(17,672)	(931)
Development cost	(106,491)	(46,433)
	(158,183)	(62,370)
At end of year	190,936	314,784

Development properties comprise land banks which are in the process of being prepared for development but are not expected to be launched for sale in the next twelve months. Development cost includes interest capitalised during the year of RM1,560,000 (2006: RM5,732,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 16. PREPAID LAND LEASE PAYMENTS

	Long Leasehold RM'000	Short Leasehold RM'000	RM'000
<b>GROUP – 2007</b>			
<b>At cost</b>			
At beginning of the year	—	—	—
As previously stated	—	—	—
Transfer from property, plant and equipment	106,436	61,510	167,946
As restated	106,436	61,510	167,946
Assets of Subsidiaries acquired (Note 18)	18,750	—	18,750
Additions	375	840	1,215
Disposals	(1,094)	(865)	(1,959)
Transfer to assets held for sale (Note 28)	—	(17,485)	(17,485)
Reclassification	(2,148)	—	(2,148)
Exchange adjustment	—	(1,906)	(1,906)
At end of year	122,319	42,094	164,413
<b>Accumulated amortisation</b>			
At beginning of the year	—	—	—
As previously stated	—	—	—
Transfer from property, plant and equipment	9,183	7,800	16,983
As restated	9,183	7,800	16,983
Amortisation for the year	1,241	2,320	3,561
Disposals	(392)	(368)	(760)
Transfer to assets held for sale (Note 28)	—	(4,943)	(4,943)
Reclassification	(826)	—	(826)
Exchange adjustment	—	(537)	(537)
At end of year	9,206	4,272	13,478
<b>Net book value at 31 December 2007</b>	<b>113,113</b>	<b>37,822</b>	<b>150,935</b>

	Long Leasehold RM'000	Short Leasehold RM'000	Total RM'000
<b>GROUP – 2006</b>			
<b>At cost</b>			
At beginning of the year			
As previously stated	—	—	—
Transfer from property, plant and equipment	91,997	63,263	155,260
As restated	91,997	63,263	155,260
Additions	14,439	108	14,547
Disposals	—	(2,388)	(2,388)
Exchange adjustment	—	527	527
At end of year	106,436	61,510	167,946
<b>Accumulated amortisation</b>			
At beginning of the year			
As previously stated	—	—	—
Transfer from property, plant and equipment	8,078	5,695	13,773
As restated	8,078	5,695	13,773
Amortisation for the year	1,105	2,560	3,665
Disposals	—	(575)	(575)
Exchange adjustment	—	120	120
At end of year	9,183	7,800	16,983
<b>Net book value at 31 December 2006</b>	<b>97,253</b>	<b>53,710</b>	<b>150,963</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 16. PREPAID LAND LEASE PAYMENTS (cont'd.)

	Long Leasehold RM'000	Short Leasehold RM'000	Total RM'000
<b>COMPANY – 2007</b>			
<b>At cost</b>			
At beginning of the year	—	—	—
As previously stated	—	—	—
Transfer from property, plant and equipment	1,951	665	2,616
As restated	1,951	665	2,616
Disposals	—	(665)	(665)
At end of year	1,951	—	1,951
<b>Accumulated amortisation</b>			
At beginning of the year	—	—	—
As previously stated	—	—	—
Transfer from property, plant and equipment	230	159	389
As restated	230	159	389
Amortisation for the year	13	9	22
Disposals	—	(168)	(168)
At end of year	243	—	243
<b>Net book value at 31 December 2007</b>	<b>1,708</b>	<b>—</b>	<b>1,708</b>

	Long Leasehold RM'000	Short Leasehold RM'000	Total RM'000
<b>COMPANY – 2006</b>			
<b>At cost</b>			
At beginning of the year			
As previously stated	—	—	—
Transfer from property, plant and equipment	1,951	665	2,616
As restated and at end of year	1,951	665	2,616
<b>Accumulated amortisation</b>			
At beginning of the year			
As previously stated	—	—	—
Transfer from property, plant and equipment	217	145	362
As restated	217	145	362
Amortisation for the year	13	14	27
At end of year	230	159	389
<b>Net book value at 31 December 2006</b>	<b>1,721</b>	<b>506</b>	<b>2,227</b>

## 17. LONG TERM PREPAYMENTS

These comprise mainly prepaid rentals made to service station operators and land owners in respect of the Group's service station activities.



## NOTES TO THE FINANCIAL STATEMENTS

### 18. SUBSIDIARIES

	Company	
	2007 RM'000	2006 RM'000
At Cost:		
Shares quoted in Malaysia	940,865	278,387
Unquoted shares	1,164,760	610,914
	2,105,625	889,301
Less: Accumulated impairment losses	(10,481)	(5,202)
	2,095,144	884,099
Market value of quoted shares	2,214,683	499,485

The fair value of assets acquired and liabilities assumed from the acquisition of Subsidiaries are as follows:

	Group	
	2007 RM'000	2006 RM'000
Net assets acquired:		
Property, plant & equipment	(379,409)	—
Prepaid land lease payments	(18,750)	—
Investment properties	(24,837)	—
Associate	(1,459)	—
Investments	(321,646)	—
Offshore patrol vessel expenditure	(455,341)	—
Deferred tax assets	(103,367)	—
Current assets	(972,296)	—
Current liabilities	1,669,132	—
Long term borrowings	399,004	—
Deferred tax liabilities	15,450	—
Goodwill on acquisition	(880,816)	—
Minority interests	156,886	—
	(917,449)	—
Previously held as Associates	448,620	—
Purchase consideration	(468,829)	—
Cash and cash equivalents acquired	592,430	—
Cash inflow on acquisition	123,601	—

The effects of the consolidation of the new Subsidiaries on the Group's income statement for the current year is summarised below:

Increase/(decrease)	Total contribution of new Subsidiaries RM '000	Less amount attributable to Associate stake RM '000	Net effect on Group RM '000
Revenue	1,317,414	—	1,317,414
Profit before tax	432,342	(131,627)	300,715
Net profit	217,627	(131,627)	86,000

The effects of the consolidation of the new Subsidiaries on the Group's balance sheet is summarised below:

	Group	
	2007 RM'000	2006 RM'000
Property, plant & equipment	412,043	—
Prepaid land lease payment	21,798	—
Investment properties	29,319	—
Associate	7,280	—
Investments	348,178	—
Goodwill on consolidation	880,816	—
Offshore patrol vessel expenditure	455,341	—
Deferred tax assets	13,415	—
Current assets	862,342	—
Current liabilities	(1,107,816)	—
Long term borrowings	(588,470)	—
Deferred tax liabilities	(18,220)	—
Minority interests	(217,298)	—
Group's share of net assets at 31 December	1,098,728	—

## NOTES TO THE FINANCIAL STATEMENTS

### 18. SUBSIDIARIES (cont'd.)

The effects on the financial position of the Group arising from the disposal of a Subsidiary are as follows:

	Group	
	2007 RM'000	2006 RM'000
Net assets disposed:		
Property, plant and equipment	—	1,893
Trade receivables	—	72
Cash and bank balances	—	82
Other payables	—	(231)
Taxation	—	(4)
Amount due to holding company	—	(1,339)
Transfer from exchange fluctuation reserve (Note 30)	—	(293)
Profit on disposal	—	1,896
Sales consideration	—	2,076
Cash and bank balances disposed	—	(82)
Net cash inflow from disposal	—	1,994

## 19. ASSOCIATES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At cost:				
Shares quoted in Malaysia	611,898	859,461	611,898	859,461
Warrants quoted in Malaysia	37,345	37,345	37,345	37,345
Unquoted shares	82,946	354,005	64,719	343,298
	732,189	1,250,811	713,962	1,240,104
Shares of post acquisition reserves	269,886	286,234	—	—
	1,002,075	1,537,045	713,962	1,240,104
Less: Accumulated impairment losses	(18,600)	(264,500)	(18,600)	(264,500)
	983,475	1,272,545	695,362	975,604
Market value:				
Quoted shares	785,393	631,326	785,393	631,326
Quoted warrants	24,433	20,086	24,433	20,086
	809,826	651,412	809,826	651,412
The summarised financial information of the Associates are as follows:				
<b>Assets and liabilities</b>				
Total assets	37,436,317	37,554,914		
Total liabilities	(32,917,664)	(34,795,550)		
<b>Results</b>				
Revenue	2,685,615	3,215,167		
Net profit for the year	286,198	206,212		

The financial statements of the Associates are coterminous with those of the Group except for Drew Ameroid (Malaysia) Sdn Bhd and Perimekar Sdn Bhd whose financial years end on 30 September and 31 January respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. ASSOCIATES (cont'd.)

Goodwill included in the carrying amount of the Group's investments in Associates is as follows:

	RM'000
At 1 January 2006	202,106
Arising from investment in Associates	65,330
At 31 December 2006 and 1 January 2007	<b>267,436</b>
Arising from investment in Associates	<b>7,541</b>
Transfer to goodwill on consolidation (Note 22)	<b>(234,446)</b>
At 31 December 2007	<b>40,531</b>



## 20. INVESTMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At Cost:				
Malaysian Government Securities	236,610	—	—	—
Cagamas papers	5,003	—	—	—
Amortisation of premium	(1,669)	—	—	—
	239,944	—	—	—
Corporate debt securities, at cost	56,101	—	—	—
Unquoted bonds, at cost less amount written off	—	3,500	—	—
Accretion of discounts, net of amortisation of premium	2,663	—	—	—
	58,764	3,500	—	—
Shares quoted in Malaysia, at cost	302,486	2,508	2,970	2,508
Malaysian unit trusts	1,917	—	—	—
Unquoted shares, at cost	2,012	1,767	1,648	1,648
	605,123	7,775	4,618	4,156
Less: Accumulated impairment losses	(1,665)	(457)	(1,457)	(457)
	603,458	7,318	3,161	3,699
Market value:				
Malaysian Government securities	232,656	—	—	—
Shares quoted in Malaysia	410,337	3,567	3,978	3,567
Unit trusts	2,198	—	—	—
	645,191	3,567	3,978	3,567

## NOTES TO THE FINANCIAL STATEMENTS

### 21. OFFSHORE PATROL VESSEL EXPENDITURE

The balance comprise design and integrated logistics support system costs which relates to the privatisation agreement with the Government of Malaysia (GOM) for the construction of 27 units of Offshore Patrol Vessel, of which 6 units have been secured and the remaining 21 units are to be awarded by the GOM.

### 22. GOODWILL ON CONSOLIDATION

	Group	
	2007 RM'000	2006 RM'000
At 1 January	107,949	107,949
Increase arising from:		
– Transfer from Associates (Note 19)	234,446	
– Additional investments during the year	646,370	
Acquisition of Subsidiaries (Note 18)	880,816	—
Additional investment in a Subsidiary	208	—
Disposal of shares in a Subsidiary	(4,138)	—
Transfer to minority interests	(12,551)	—
At 31 December	972,284	107,949

The carrying amount of goodwill on the acquisition of Boustead Naval Shipyard Sdn Bhd totalling RM731 million was assessed for impairment at year end.

Goodwill is allocated for impairment testing purposes to the individual entity which is also the CGU. The recoverable amount is determined based on a value in use calculation using cash flow projections approved by the entity's board of directors covering a three-year period. Cash flows beyond the third year are extrapolated, and a pre-tax discount rate of 9.3% per annum was applied to the cash flow projections, after taking into consideration the Group's cost of borrowings, the expected rate of return and various risks.

The value in use calculation is highly dependent on the assumption that the contract to construct the offshore patrol vessels will be awarded according to plan. Management believes that any change on the other key assumptions in the computation of the recoverable amount of the goodwill would not cause its carrying amount to exceed its recoverable amount.

**23. INVENTORIES**

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At cost:				
Raw materials and work-in-progress	49,902	7,600	—	—
Goods for resale	80,264	149,880	—	—
Estate produce	15,394	8,880	4,663	471
Completed properties	21,481	8,039	—	—
Consumable stores	27,536	12,093	319	263
	194,577	186,492	4,982	734
At net realisable value:				
Goods for resale	793	491	—	—
	195,370	186,983	4,982	734

## NOTES TO THE FINANCIAL STATEMENTS

### 24. PROPERTY DEVELOPMENT IN PROGRESS

	Group	
	2007 RM'000	2006 RM'000
At beginning of year		
Freehold land, at cost	32,094	43,975
Long leasehold land, at cost	2,916	4,244
Development cost	240,598	235,302
	275,608	283,521
Development cost incurred during the year	122,023	73,573
Cost recognised in income statement		
At beginning of year	(211,488)	(201,144)
Recognised during the year	(211,483)	(147,543)
Reversal of completed projects	302,237	137,199
	(120,734)	(211,488)
Transfer		
From development properties (Note 15)	158,183	62,370
To inventories	(21,618)	(6,657)
Reversal of completed projects	(302,237)	(137,199)
	(165,672)	(81,486)
At end of year	111,225	64,120
Interest cost capitalised during the year	7,827	6,130

## 25. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group	
	2007 RM'000	2006 RM'000
<b>Shiprepair and shipbuilding (Non-offshore patrol vessels)</b>		
Contract costs incurred to date	414,166	—
Attributable profit	47,398	—
	461,564	—
Less: Progress billings	(439,641)	—
	21,923	—
<b>Offshore patrol vessels</b>		
Construction contract costs incurred to date	4,211,301	—
Attributable profit	389,480	—
	4,600,781	—
Less: Progress billings	(4,800,124)	—
	(199,343)	—
Presented as follows:		
<b>Due from customers on contracts:</b>		
– Shiprepair and shipbuilding	53,972	—
<b>Due to customers on contracts:</b>		
– Shiprepair and shipbuilding	32,049	—
– Offshore patrol vessels	199,343	—
	231,392	—
<b>Included within payables (Note 33):</b>		
Advances received on contracts	272,397	—



## NOTES TO THE FINANCIAL STATEMENTS

### 25. DUE FROM/TO CUSTOMERS ON CONTRACTS (cont'd.)

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2007 RM'000	2006 RM'000
Depreciation of property, plant and equipment	4,108	—
Interest expense	28,331	—
Operating lease:		
- minimum lease payment for plant and equipment	3,864	—
- minimum lease payment for land and buildings	475	—
Loss on foreign exchange	12,985	—
Staff costs	103	—
Amount of contract revenue and contract costs recognised in the financial year are as follows:		
Contract revenue	1,110,901	—
Contract costs (included in costs of sales/direct costs)	695,650	—

**26. RECEIVABLES**

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	<b>782,592</b>	455,826	<b>6,762</b>	3,878
Less: Provision for doubtful debts	<b>(80,333)</b>	(55,913)	—	—
	<b>702,259</b>	399,913	<b>6,762</b>	3,878
Dividends receivable	<b>19,194</b>	1,500	<b>1,000</b>	14,942
Deposits	<b>44,865</b>	49,815	<b>3,698</b>	9,124
Prepayments	<b>15,748</b>	4,507	<b>569</b>	309
Outstanding premiums	<b>37,361</b>	—	—	—
Income tax receivable	<b>64,546</b>	82,759	<b>52,721</b>	72,834
Proceeds receivable from disposal of plantation assets to Al-Hadharah Boustead REIT	—	400,150	—	—
Proceeds receivable from disposal of property, plant and equipment	<b>5,231</b>	24,005	—	—
Advances to smallholders scheme	—	14,472	—	—
Other receivables	<b>86,312</b>	49,472	<b>1,417</b>	5,240
Amount due from holding corporation	<b>31</b>	—	<b>31</b>	—
Amounts due from Subsidiaries	—	—	<b>653,559</b>	560,546
Amounts due from other related companies	<b>21,841</b>	22,446	<b>61</b>	7
Amounts due from Associates	<b>18,549</b>	65,568	<b>2,241</b>	37,021
	<b>1,015,937</b>	1,114,607	<b>722,059</b>	703,901

The Group's normal trade credit terms range from payments in advance to 90 days. Other credit terms are assessed and approved on a case by case basis. Amount due from Subsidiaries are stated after provision for doubtful debts of RM11.53 million (2006: RM10.23 million). Amount due from Subsidiaries and Associates are unsecured, bear interest at a weighted average rate of 6.7% (2006: 6.6%) per annum and have no fixed terms of repayment. Amounts due to related companies are trade balances which are unsecured and interest free, with repayments in accordance with normal trading terms.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits with financial institutions	520,793	17,300	—	—
Cash held under Housing Development Accounts	52,157	30,781	—	—
Cash and bank balances	180,881	142,472	7,333	8,263
	753,831	190,553	7,333	8,263

The deposits are on call, and carry a weighted average interest rate of 3.3% (2006: 3.2%) per annum.

### 28. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The carrying amounts of major classes of assets and liabilities of the companies for which disposals are expected to occur in the coming financial year as referred to in Note 44 (b) and Note 44 (c) classified as held for sale on the consolidated balance sheet as at 31 December 2007 are as follows:

	Group	
	2007 RM'000	2006 RM'000
<b>Assets</b>		
Property, plant and equipment (Note 12)	39,282	19,597
Biological assets (Note 13)	15,794	10,393
Prepaid land lease payments (Note 16)	12,542	—
Inventories	3,737	—
Trade and other receivables	20,815	—
Deposits, cash and bank balances	5,305	—
Assets of disposal group classified as held for sale	97,475	29,990
<b>Liabilities</b>		
Trade and other payables	(12,201)	—
Taxation	(27)	—
Liabilities directly associated with assets classified as held for sale	(12,228)	—

## 29. SHARE CAPITAL

	2007		2006	
	'000	RM'000	'000	RM'000
Authorised:				
Ordinary shares of RM0.50 each	1,000,000	500,000	1,000,000	500,000
Issued and fully paid ordinary shares of RM0.50 each:				
At beginning of year	598,269	299,135	592,089	296,045
Issued pursuant to the conversion of bank guaranteed redeemable convertible bonds	30,770	15,385	—	—
Issued for cash pursuant to ESOS	—	—	6,180	3,090
At end of year	629,039	314,520	598,269	299,135

## NOTES TO THE FINANCIAL STATEMENTS

### 30. NON-DISTRIBUTABLE RESERVES

	Share Premium RM'000	Revaluation Reserve RM'000	Statutory Reserve RM'000	Other Reserves RM'000	Total RM'000
<b>GROUP – 2007</b>					
At 1 January 2007	394,437	41,357	79,050	122,826	637,670
Exchange fluctuation	—	—	—	(4,189)	(4,189)
Writeback of deferred tax provision	—	264	—	—	264
Dilution in Associate	—	—	(1,892)	—	(1,892)
Disposal of shares in a Subsidiary	—	—	—	(11)	(11)
Transfer during the year	—	—	24,733	121	24,854
Issue of shares pursuant to the conversion of bank guaranteed redeemable convertible bonds (Note 29)	44,615	—	—	—	44,615
At 31 December 2007	439,052	41,621	101,891	118,747	701,311
<b>GROUP – 2006</b>					
At 1 January 2006	388,907	62,413	71,928	121,639	644,887
Exchange fluctuation	—	—	—	1,480	1,480
Disposal of Subsidiary	—	—	—	(293)	(293)
Dilution in Associates	—	—	(2,396)	—	(2,396)
Issue of shares pursuant to ESOS (Note 29)	5,530	—	—	—	5,530
Transfer during the year	—	—	9,518	—	9,518
Reserve realised during the year	—	(21,056)	—	—	(21,056)
At 31 December 2006	394,437	41,357	79,050	122,826	637,670

The statutory reserve is maintained by an Associate in compliance with the provision of the Banking and Financial Institution Act, 1989. The other non-distributable reserves comprise mainly the Group's share of Subsidiaries' share premium arising from the issue of new shares to minority interests.

The non-distributable reserve of the Company comprises share premium.

### 31. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders (single tier system). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company has not elected for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007, subject to the availability of profits for distribution.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income accounts to frank the payment of dividends out of its entire retained earnings as at 31 December 2007.

### 32. LONG TERM BORROWINGS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Term loans	1,378,176	586,393	90,000	60,000
Islamic bonds	40,000	100,000	—	—
Redeemable convertible bonds	75,294	75,294	—	—
Bank guaranteed serial bonds	250,000	250,000	250,000	250,000
Bank guaranteed redeemable convertible bonds	—	100,000	—	100,000
	1,743,470	1,111,687	340,000	410,000
Less: Repayable in 1 year (Note 35)	(591,346)	(438,912)	(20,000)	(20,000)
	1,152,124	672,775	320,000	390,000
Analysis by maturity:				
- within 1 year	591,346	438,912	20,000	20,000
- from 1 year to 2 years	183,205	211,787	70,000	70,000
- from 2 years to 5 years	367,949	460,988	237,500	320,000
- more than 5 years	600,970	—	12,500	—
	1,743,470	1,111,687	340,000	410,000



## NOTES TO THE FINANCIAL STATEMENTS

### 32. LONG TERM BORROWINGS (cont'd.)

The Islamic bonds (IBs) and redeemable convertible bonds (RCBs) which were issued by a Subsidiary, Boustead Properties Berhad (BProp) carry a weighted average rate of 9.0% (2006: 8.7%) per annum. Progress billings from sales of the Mutiara Damansara and Mutiara Rini projects are assigned to Escrow Accounts, Profit Service Account and Principle Service Reserve Account for the repayment of the principal and interest of the IBs and RCBs.

The RCBs which were issued on a conventional basis have a nominal value of RM80 million with a tenure of 5 years from 7 July 2003. The RCBs may be converted at the option of the holder, at the conversion price of RM4.13 per share into a maximum of 19,370,460 new BProp shares at any time after issuance to the maturity date. BProp may redeem all but not part of the RCBs at any time on or after the expiry of 2<sup>1</sup>/<sub>2</sub> years from the issue date at an accreted value which is subject to a 130% trigger (30% above the conversion price). At maturity, the RCBs shall be redeemed at approximately 127% of the issue price. The RCBs carry a coupon rate of 4% per annum which is payable semi-annually in arrears.

The serial bonds which were issued by the Company at a nominal value of RM250 million carry a rating of AAA(bg). The serial bonds were issued in four series with tenures ranging from 4 years to 7 years, and bear interest at annual interest rate ranging from 5.2% to 5.9% which is payable semi-annually in arrears. At 31 December 2007, the Company's RM100 million bank guaranteed redeemable convertible bonds (BGRCB) were fully settled through the conversion of RM60 million BGRCB into ordinary shares of the Company and cash redemption in respect of RM40 million BGRCB.

The term loan of a Subsidiary, Boustead Naval Shipyard Sdn Bhd totalling RM801 million carries an interest rate of 7.5% per annum. Proceeds from the contract with the Government of Malaysia were assigned to the loan. The loan is repayable by quarterly instalments for a period of 4 years from the date of first drawdown of 6 July 2007.

All the other borrowings are unsecured and bear interest at a weighted average rate of 6.3% (2006: 5.6%) per annum. Except for a loan of RM45 million which is denominated in US Dollars, all borrowings are denominated in Ringgit Malaysia.

**33. PAYABLES**

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Current</b>				
Trade payables	561,957	362,435	449	682
Accrued interest	28,805	20,475	11,536	11,444
Redemption premium	26,966	—	—	—
Accrued expenses	135,597	104,836	278	2,001
Deposits received	45,338	40,461	1,215	—
Advances received on contracts (Note 25)	272,397	—	—	—
Retention sum	2,558	7,171	—	—
Unearned premium reserves	52,873	—	—	—
Outstanding claims reserves	103,103	—	—	—
Amount due to insurers, agents and brokers	51,728	—	—	—
Reinsurance deposits	12,369	—	—	—
Other payables	135,750	64,824	1,191	2,575
Amount due to holding corporation	—	3,621	—	3,621
Amounts due to Subsidiaries	—	—	893,846	597,083
Amounts due to other related companies	2,137	3,548	—	—
Amounts due to Associates	1,239	458	418	396
	<b>1,432,817</b>	<b>607,829</b>	<b>908,933</b>	<b>617,802</b>
<b>Non-current</b>				
Deposits from tenants	19,992	20,012	—	—
Redemption premium	—	24,628	—	7,002
	<b>19,992</b>	<b>44,640</b>	<b>—</b>	<b>7,002</b>

Amounts due to Subsidiaries are unsecured, bear interest at a weighted average rate of 8.3% (2006: 8.3%) per annum and have no fixed terms of repayment. Amounts due to the Associates and related companies are trade balances which are unsecured and interest free with repayment in accordance with normal trading terms. The amount due to holding corporation is unsecured and interest free.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. DEFERRED TAXATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At beginning of year	10,246	16,076	2,338	2,484
Acquisition of Subsidiaries (Note 18)	87,917	—	—	—
Recognised in the income statement (Note 9)	(114,981)	(10,127)	(2,368)	(146)
Credited to equity	405	4,297	—	—
At end of year	(16,413)	10,246	(30)	2,338
Presented after appropriate offsetting as follows:				
Deferred tax assets	81,225	82,844	—	2,338
Deferred tax liabilities	(97,638)	(72,598)	(30)	—
	(16,413)	10,246	(30)	2,338

The deferred tax liability of the Company is in respect of provisions. The components and movements of deferred tax liabilities and assets for the Group during the financial year prior to offsetting are as follows:

	Surplus On Revaluation RM'000	Capital Allowances RM'000	Others RM'000	Total RM'000
<b>Deferred tax liabilities of the Group:</b>				
At 1 January 2007	(10,565)	(51,245)	(10,788)	(72,598)
Recognised in the income statement	5,163	(13,467)	(1,691)	(9,995)
Acquisition of Subsidiaries (Note 18)	(5,905)	(8,921)	(624)	(15,450)
Credited to equity	405	—	—	405
At 31 December 2007	(10,902)	(73,633)	(13,103)	(97,638)
At 1 January 2006	(7,429)	(29,484)	(2,111)	(39,024)
Recognised in the income statement	(6,153)	(23,041)	(8,677)	(37,871)
Credited to equity	3,017	1,280	—	4,297
At 31 December 2006	(10,565)	(51,245)	(10,788)	(72,598)

	Tax Losses RM'000	Unabsorbed Capital Allowances RM'000	Others RM'000	Total RM'000
<b>Deferred tax assets of the Group:</b>				
At 1 January 2007	38,913	14,954	28,977	82,844
Recognised in the income statement	(108,697)	9,187	(5,476)	(104,986)
Acquisition of Subsidiaries (Note 18)	90,000	—	13,367	103,367
At 31 December 2007	20,216	24,141	36,868	81,225
At 1 January 2006	42,787	3,091	9,222	55,100
Recognised in income statement	(3,874)	11,863	19,755	27,744
At 31 December 2006	38,913	14,954	28,977	82,844

Deferred tax assets have not been recognised in respect of the following:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unused tax losses	239,011	116,918	—	—
Unabsorbed capital allowances and agricultural allowances	67,558	113,726	—	—
Unabsorbed investment tax allowances	5,875	—	—	—
	312,444	230,644	—	—

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective Subsidiaries are subject to no substantial changes in shareholding of those Subsidiaries under Section 44(5A) and 44(5B) of the Income Tax Act, 1967.

## NOTES TO THE FINANCIAL STATEMENTS

### 35. BORROWINGS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Overdrafts	44,443	86,937	5,047	46,019
Bankers' acceptances	256,070	113,423	—	—
Revolving credits	1,339,250	989,000	1,060,750	565,000
Short term loans (Note 32)	591,346	438,912	20,000	20,000
	2,231,109	1,628,272	1,085,797	631,019

Borrowings other than the short term loans repayable within twelve months are unsecured and bear interest at weighted average rate of 5.0% (2006: 4.8%) per annum. The terms for short term loans are disclosed in Note 32.

**36. INTEREST IN JOINT VENTURE PLANTATION**

The Group has a 50% interest in Kuala Muda Estate, which is being held at a book value of RM4,081,000 (2006: RM4,081,000). The following amounts represent the Group's share of the assets and liabilities and revenue and expenses of the joint venture plantation that have been included in the balance sheet and income statement:

	Group	
	2007 RM'000	2006 RM'000
Property, plant and equipment	241	224
Current assets	8,854	5,532
Current liabilities	(295)	(2,034)
Net assets	8,800	3,722
Revenue	8,346	4,985
Operating cost	(3,438)	(3,176)
Profit before taxation	4,908	1,809

There are no capital commitments or contingencies relating to the Group's interest in the joint venture plantation.



## 37. SEGMENTAL INFORMATION

[illegible]

	Plantation RM'000	Heavy Industries RM'000	Property Development RM'000	Property Investment RM'000	Finance & Investment RM'000	Trading RM'000	Manufacturing & Services RM'000	Total RM'000
<b>2007</b>								
<b>Other information</b>								
Segment assets	1,180,419	2,115,506	773,736	772,473	588,181	1,213,162	668,387	7,311,864
Associates	12,421	17,535	7,280	44,191	875,746	2,702	23,600	983,475
Unallocated corporate assets								145,771
<b>Total assets</b>								<b>8,441,110</b>
Segment liabilities	229,852	2,146,854	143,006	201,397	828,278	1,113,828	449,031	5,112,246
Unallocated corporate liabilities								120,030
<b>Total liabilities</b>								<b>5,232,276</b>
Capital expenditure	106,882	13,075	228	26,707	1,779	46,653	80,369	275,693
Depreciation	22,527	7,877	381	10,191	547	36,810	12,945	91,278
Other non-cash expenses	4,358	4,993	234	1,466	—	9,329	2,064	22,444

### 37. SEGMENTAL INFORMATION (cont'd.)

[illegible]

	Plantation RM'000	Heavy Industries RM'000	Property Development RM'000	Property Investment RM'000	Finance & Investment RM'000	Trading RM'000	Manufacturing & Services RM'000	Total RM'000
<b>2006</b>								
<b>Other information</b>								
Segment assets	1,316,030	—	637,737	896,910	154,385	1,040,500	282,150	4,327,712
Associates	9,914	247,389	—	41,683	827,444	5,443	140,672	1,272,545
Unallocated corporate assets								165,603
<b>Total assets</b>								5,765,860
Segment liabilities	595,585	404,000	185,869	222,146	335,963	948,253	283,537	2,975,353
Unallocated corporate liabilities								83,622
<b>Total liabilities</b>								3,058,975
Capital expenditure	68,865	—	232	59,585	72	84,508	29,007	242,269
Depreciation	23,554	—	397	9,968	146	30,909	8,727	73,701
Other non-cash expenses	24,034	—	—	—	14,360	2,598	857	41,849

## NOTES TO THE FINANCIAL STATEMENTS

### 38. COMMITMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Authorised and contracted:</b>				
Additional investment in Associate and Subsidiary	53,000	70,961	53,000	70,961
Capital expenditure	316,000	135,000	—	48,600
	369,000	205,961	53,000	119,561
<b>Authorised but not contracted:</b>				
Additional investment in Associate and Subsidiary	—	201,000	—	150,000
Capital expenditure	376,000	197,000	2,357	44,000
	376,000	398,000	2,357	194,000

### 39. OPERATING LEASE OBLIGATION

The Group has an operating lease obligation resulting from the following sale and leaseback arrangements:

- On 27 June 2007, the Group sold to Al-Hadharah Boustead REIT (Boustead REIT) its beneficial rights, title and interest in Lepad Kabu Estate and Lepad Kabu Mill. Following the disposal, the Group entered into several Ijarah agreements with the trustee of Boustead REIT to rent these plantation assets for a cumulative tenure of up to thirty years. The Ijarah agreements which commenced on 1 July 2007 are for a lease period of three years renewable for five additional terms of not more than three years each. The Ijarah arrangement for the first two tenancy periods of three years each totalling six years is non-cancellable.
- On 29 December 2006, the Group sold its beneficial rights, title and interest in eight oil palm estates and a palm oil mill to Boustead REIT. The Group had also entered into several Ijarah agreements with the trustee of Boustead REIT to rent these plantation assets for a cumulative tenure of up to thirty years. The Ijarah agreements which commence on 1 January 2007 are for a lease period of three years renewable for five additional terms of not more than three years each. The Ijarah arrangement for the first two tenancy periods of three years each totalling six years is non-cancellable.

**39. OPERATING LEASE OBLIGATION (cont'd.)**

- (c) On 22 November 2005, the Group had entered into three Master Ijarah Agreements with Golden Crop Returns Berhad (GCRB) for the leaseback of plantation assets comprising 18 estates and 5 palm oil mills for lease periods of three, five and seven years. Concurrent with the execution of these Master Ijarah Agreements, the Group paid a deposit of RM300,000 for these call options (Call Options) under which the Group is entitled to call on GCRB to sell the plantation assets to the Group based on the terms of the Call Option at an exercise price equivalent to the fair value of the plantation assets at the time of the exercise of the Call Options.

Subsequent to the year end, the Group had exercised its first call option as described in Note 44(a) to these accounts.

In addition, a Subsidiary acquired during the year has several non-cancellable operating lease agreements for the use of land and buildings. These leases have an average life between 3 to 30 years with renewal option included in the contracts. In the financial year ended 31 December 1996, the Government of Malaysia and the Subsidiary had finalised the lease agreement relating to the corporation of the Royal Malaysian Navy Dockyard. The agreement grants the Subsidiary a lease of 30 years from 1 September 1991 at a yearly rent of RM1 for the first five years, subject to revision thereafter. During the year, the annual lease rental was revised from RM2.2 million to RM950,000 until further notice. There are no restrictions placed upon the Group by entering into other leases.

The non-cancellable operating lease commitments arising from the above are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Within 1 year	109,813	101,066	3,658	3,658
Later than 1 year and not later than 5 years	388,539	376,876	7,390	10,647
Later than 5 years	11,742	82,596	—	—
	510,094	560,538	11,048	14,305

**40. CONTINGENT ASSET**

A Subsidiary has lodged appeals against the valuations adopted by the Government on the compulsory acquisition of 750 hectares of estate land. The dispute on the quantum of any additional compensation has not been settled and the potential benefit if any, has not been included in these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 41. CONTINGENT LIABILITIES

- (a) There is a pending claim against a Subsidiary for goods sold, delivered and invoiced together with costs and interests. On 27 September 2007 the Subsidiary was served a mareva injunction which was subsequently varied by the Court to allow for the deployment of assets to carry on its business. The High Court initially fixed 12 February 2008 as the decision date for the application for an extension of the said injunction, and mention date for our application to set aside the injunction. The High Court has now raised a preliminary enquiry on the propriety of the appointment of the lawyer for the wound up claimant and has directed all parties including the Official Receiver to put in written submissions and decision on this preliminary point raised by the court is now fixed on 30 April 2008.

The Directors, in consultation with legal counsel, are of the opinion that the claim is without merit and no provision is required.

- (b) On 31 October 2007, the Company was served with a Writ of Summons seeking a Court order that the Company issues and allots such number of ordinary shares in the Company to a bondholder (Plaintiff) of RM40 million bank guaranteed redeemable convertible bonds (BGRCB). The Company had entered an appearance for the Writ of Summons on 1 November 2007 and filed in an application to strike out the Plaintiff's claim, while the Plaintiff had also filed in an application for summary judgement, both of which are fixed for hearing on 11 March 2008. The Directors in consultation with legal counsel are of the opinion that the Company has a strong defence in contesting the claim by the Plaintiff as the Company has a valid and effective redemption notice which was issued to the Plaintiff on 1 October 2007 prior to the issuance of the Plaintiff's conversion notice on 16 October 2007 and the Company had paid the redemption sum and coupon payments on 30 October 2007 to the lead arranger of the BGRCB and such payments were effected by the lead arranger of the BGRCB to the Plaintiff on 1 November 2007.

### 42. SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Direct and indirect Subsidiaries;
- (ii) Holding corporation, Lembaga Tabung Angkatan Tentera (LTAT) and its subsidiaries;
- (iii) Direct and indirect Associates;
- (iv) Key management personnel which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and
- (v) Firms in which Directors have a substantial interest, namely MAA Arkitek and Azzat & Izzat, being firms in which the Company's Directors Dato' Ghazali Mohd Ali and Datuk Azzat Kamaludin have a substantial interest in the respective firms.

**42. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd.)**

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Associates</b>				
Purchase of goods for resale	5,631	34,585	—	—
Agricultural research and advisory services paid	5,653	5,665	—	16
Insurance premium paid	4,800	5,912	95	80
Insurance commission earned	2,634	1,727	—	—
Rental income on office premises	13,314	16,236	—	—
Sale of fuel	1,184	3,840	—	—
Stockist commission received	2,513	2,537	—	—
Professional fees paid	210	328	—	—
<b>Subsidiaries of Holding Corporation</b>				
Purchase of goods for resale	5,407	8,953	—	—
Sale of fuel	4,619	1,504	—	—
Revenue from construction contracts	105,403	78,397	—	—
<b>Key management personnel</b>				
Sale of development properties	5,818	—	—	—
<b>Firms in which Directors have a substantial interest</b>				
Legal & professional fees paid	4,779	2,518	202	157

## NOTES TO THE FINANCIAL STATEMENTS

### 42. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd.)

The Directors are of the opinion that the above transactions are in the normal course of business and at terms mutually agreed between the parties.

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Directors</b>				
Fees	646	365	135	135
Remuneration	2,247	1,361	60	60
Defined contribution plan	284	158	—	—
Meeting allowances	49	22	19	22
Estimated monetary value of benefits-in-kind	92	135	40	44
	<b>3,318</b>	2,041	<b>254</b>	261
<b>Other key management personnel</b>				
Short term employee benefits	14,749	11,235	1,776	1,567
Defined contribution plan	2,212	1,685	266	235
	<b>16,961</b>	12,920	<b>2,042</b>	1,802
Total paid to key management personnel	<b>20,279</b>	14,961	<b>2,296</b>	2,063

Pursuant to a supplementary agreement between a Subsidiary and two of its directors for the sub-lease of 12,140.6 hectares of leasehold plantation land for a total consideration of RM39 million, the Subsidiary sub-leased 7,256 (2006: 7,256) hectares of the leasehold plantation land as at 31 December 2007. Balances at year end with these directors are as follows:

	Group	
	2007 RM'000	2006 RM'000
Deposit paid	3,200	3,200
Retention sum and balance due	(2,169)	(2,169)

### 43. SIGNIFICANT EVENTS

- (a) During the year, Boustead Properties Berhad acquired the entire issued and paid up share capital of Bakti Wira Development Sdn Bhd comprising 75,000 ordinary shares of RM1 each for a cash consideration of RM15.91 million.
- (b) During the year, Boustead Heah Joo Seang Sdn Bhd (HJS) became a wholly owned Subsidiary of the Group, following the acquisition of the remaining 2,755,200 ordinary shares of RM1 each comprising 30% of the issued and paid up capital of HJS for a total cash consideration of RM51 million.
- (c) The Group's disposal to Al-Hadharah Boustead REIT (Boustead REIT) of the plantation assets known as Lapan Kabu Estate and Lapan Kabu Mill which form the final instalment of the Sale and Leaseback Arrangement initiated during the previous financial year was duly completed on 26 June 2007. The sale consideration totalling RM71.75 million was satisfied by the issuance of 71.75 million units at par in Boustead REIT on 21 July 2007. The Group also entered into an Ijarah agreement with Boustead REIT to enable the Group the continued use of these plantation assets. The Ijarah agreement which commenced on 1 July 2007 shall be for a lease period of three years renewable for five additional terms of not more than three years each.
- (d) On 8 May 2007, the Company served a notice for the Offer on the Board of UAC Berhad (UAC) to acquire the remaining UAC Shares which were not already owned by Boustead and Persons Acting in Concert for a cash consideration of RM4.85 per UAC Share. On 4 July 2007 acceptances totalling 19,873,515 UAC Shares or 26.71% of UAC's issued and paid up capital were duly received. Accordingly, Boustead's interest in UAC was increased from 38.5% to 65.21%, thus making UAC a Subsidiary of the Group.
- (e) Pursuant to the Proposed Restructuring Scheme of Boustead Heavy Industries Corporation Berhad (BHIC), the Company's interest in BHIC was increased from 32.5% to 65.0% during the year, through the purchase of 127.97 million ordinary shares of RM1 each in BHIC which were issued as debt settlement to and renounced by Affin Bank Berhad at a cash consideration of RM1 per share, and the Company's subscription of its entitlement of BHIC's rights issue totalling 22.63 million ordinary shares at an issue price of RM1 per share.
- (f) Pursuant to the agreement to acquire from Affin Bank Berhad 36,000,001 ordinary shares of RM1.00 each representing approximately 27.7% equity interest in Boustead Naval Shipyard Sdn Bhd (BNS) for a cash consideration of RM150.12 million which was duly approved by the Company's shareholders on 30 March 2006, the Company acquired the 2nd tranche comprising 12 million ordinary shares or 9.23% of BNS on 26 December 2007 for a cash consideration of RM50.04 million and a 5% holding cost.

In addition, during the year the Company acquired from the minority shareholders of BNS, 12.32 million BNS shares comprising 9.48% of the issued and paid up capital of BNS for a total cash consideration of RM49.28 million.

The above acquisitions had increased the Group's direct interest in BNS to 59.62% (2006: 40.90%). Together with the Subsidiary, BHIC, the Group now exercises control over 80.38% of the issued and paid up capital of BNS.

- (g) During the year, the Company acquired from The London Assurance PLC 48,270,506 ordinary shares of RM1.00 each in Royal & Sun Alliance Insurance (M) Berhad now renamed BH Insurance (M) Berhad (BHI) for a total cash consideration of RM156.0 million. Consequently, the Company's interest in BHI was increased from 35% to 80%. The acquisition which resulted in the former Associate becoming a Subsidiary of the Company was completed on 3 September 2007.

## NOTES TO THE FINANCIAL STATEMENTS

### 43. SIGNIFICANT EVENTS (cont'd.)

- (h) On 26 December 2007, Tan Sri Dato' Lodin Wok Kamaruddin (TSLWK) acquired 4,137,500 ordinary shares of RM1 each in Boustead Petroleum Sdn Bhd (BPSB) comprising 5% of the issued and paid up share capital of BPSB at a cash consideration of RM1.00 each with holding cost of 6% per annum. The sale of existing BPSB shares held by the Company for a total consideration of RM4,755,521 was made in accordance with the option which the Board of Directors had granted to TSLWK in 2005.

### 44. SUBSEQUENT EVENTS

- (a) On 29 January 2008, the Group announced that its Subsidiaries, Boustead Rimba Nilai Sdn Bhd and Boustead Eldred Sdn Bhd had served a notice of exercise pursuant to the call option agreement (COA) which was entered into with Golden Crop Returns Bhd (GCRB) in November 2005. The Group is exercising its First Call Option to buy back two oil palm estates (Plantation Assets) totalling 3,771 hectares located in Tasek Glugor, Penang, and Pekan, Pahang, from GCRB for at least RM110 million. These two estates form part of a sale and leaseback agreement between the Group and GCRB, where pursuant to the COA, the Group shall have the right to exercise the First Call Option on or before 22 June 2008 and to acquire the Plantation Assets from GCRB on 22 November 2008.

In this respect, the Group will accept the sale of the Plantation Assets from GCRB upon payment of the aggregate exercise price of no less than RM110 million (comprising RM69.5 million for Malakoff Estate and RM40.5 million for Bebar Estate) on or before 22 October 2008.

The proposed exercise of First Call Option is subject to the approval of the Foreign Investment Committee (FIC).

- (b) On 17 July 2007 the Group entered into a sale and purchase agreement to dispose the Group's 51% stake in Boustead Oil Bulking Sdn Bhd comprising 3,570,000 ordinary shares of RM1 each to FIMA Palmbulk Services Sdn Bhd for a total disposal price of RM4,676,700. The disposal was completed subsequent to the year end.
- (c) On 25 February 2008, the Group entered into a binding sale and purchase agreement to sell its entire 90% equity interest in PT Dendymarker (PTDI) and its entire 99.75% equity interest in PT Anam Koto (PTAK) for a total cash consideration of USD14.5 million. In addition, advances by the Group to PTDI and PTAK totalling USD60 million will be repaid. These disposals are expected to be completed in May 2008.

### 45. HOLDING CORPORATION

The holding corporation is Lembaga Tabung Angkatan Tentera, a local statutory body established under the Tabung Angkatan Tentera Act, 1973.

### 46. AUTHORISATION FOR ISSUANCE OF FINANCIAL STATEMENTS

These financial statements were authorised for issuance by the Board of Directors on 29 February 2008.

## BOUSTEAD GROUP

Name of Company*	Principal Activities	Paid-Up Capital	Group Interest %	
			2007	2006
As at 31 December 2007				
SUBSIDIARIES				
Boustead Plantations Berhad	Investment holdings & oil palm plantations	RM124,521,383	100	100
Boustead Properties Berhad	Investment holdings, oil palm plantations & property investments	RM255,199,031	65	58
Boustead Heavy Industries Corporation Berhad (formerly known as PSC Industries Berhad)	Investment holdings	RM248,457,612	65	—
Boustead Naval Shipyard Sdn Bhd	Construction, repair and maintenance of naval & merchant ships	RM130,000,003	73	—
BH Insurance (M) Berhad** (formerly known as Royal & Sun Alliance Insurance (M) Bhd)	General insurance	RM107,267,790	80	—
UAC Berhad**	Fibre cement products	RM74,408,000	65	—
Boustead Rimba Nilai Sdn Bhd	Oil palm plantations	RM100,000,000	100	100
Bounty Crop Sdn Bhd	Investment holdings	RM70,200,000	100	100
Boustead Segaria Sdn Bhd	Oil palm plantations	RM18,000,520	100	100
Boustead Emastulin Sdn Bhd	Oil palm plantations & automobile dealership	RM17,000,000	100	100
Boustead Credit Sdn Bhd	Hire purchase & lease financing	RM15,000,000	100	100
Boustead Eldred Sdn Bhd	Oil palm plantations	RM15,000,000	100	100
Boustead Engineering Sdn Bhd	Engineering equipment & chemicals distributor	RM8,000,000	100	100
Boustead Trunkline Sdn Bhd	Oil palm plantations	RM7,000,000	100	100
Boustead Sutera Sdn Bhd	Oil palm plantations	RM4,250,000	100	100
Boustead Global Trade Network Sdn Bhd	Consumer goods distributor	RM3,000,000	100	100
Boustead Gradient Sdn Bhd	Oil palm & coconut plantations	RM3,000,000	100	100
Boustead Weld Quay Sdn Bhd	Property investment	RM2,000,000	100	100
Boustead Emasewa Sdn Bhd	Car rental	RM1,625,159	100	100
Boustead Travels Services Sdn Bhd	Travel agent	RM5,500,000	100	100
Boustead Estates Agency Sdn Bhd	Plantation management	RM1,050,000	100	100
Boustead Management Services Sdn Bhd	Management services	RM1,000,000	100	100



## BOUSTEAD GROUP

Name of Company*	Principal Activities	Paid-Up Capital	Group Interest %	
			2007	2006
As at 31 December 2007				
SUBSIDIARIES				
Boustead Information Technology Sdn Bhd	Computer service & systems design	RM1,000,000	100	100
Boustead Construction Sdn Bhd	Project management	RM1,000,000	100	100
Boustead Advisory and Consultancy Services Sdn Bhd	Plantation management	RM500,002	100	100
Boustead Shipping Agencies Sdn Bhd	Shipping agent	RM2,000,000	100	100
Boustead Solandra Sdn Bhd	Oil palm & teak plantations	RM200,000	100	100
AB Shipping Sdn Bhd	Shipbroker	RM45,000	100	100
Bestari Marine Sdn Bhd	Marine surveys & consultancy	RM35,000	100	100
Boustead Sedili Sdn Bhd	Oil palm plantations	RM6,150,000	100	100
Boustead Building Materials Sdn Bhd	Building products distributor	RM10,000,000	95	95
PT Dendymarker Indahlestari+**	Oil palm plantations	Rp160,067,000,000	90	90
Minat Warisan Sdn Bhd	Investment holdings	RM50,000,000	88	88
PT Anam Koto+**	Oil palm plantations	Rp275,700,000,000	88	88
Boustead Kanowit Oil Mill Sdn Bhd	Processing of oil palm	RM30,000,000	70	70
Malaysia Welding Industries Sdn Bhd	Investment holdings	RM2,500,000	75	75
Boustead Heah Joo Seang Sdn Bhd	Oil palm plantations	RM9,184,000	100	70
Boustead Sissons Paints Sdn Bhd	Paint manufacturer	RM12,663,000	70	70
Boustead Shipping Agencies (B) Sdn Bhd***	Shipping agent	B\$100,000	70	70
Cargo Freight Shipping Sdn Bhd	Shipping agent	RM186,000	70	70
Boustead Pelita Kanowit Sdn Bhd	Oil palm plantations	RM34,560,000	60	60
Boustead Pelita Tinjar Sdn Bhd	Oil palm & teak plantations	RM48,000,000	60	60
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM124,960,000	66	66
Boustead Realty Sdn Bhd	Property investments	RM100,000,000	65	58
Boustead Weld Court Sdn Bhd	Property investments	RM20,000,000	65	58
U.K. Realty Sdn Bhd	Ceased operations	RM40,000,000	65	58
Mutiara Rini Sdn Bhd	Property developer	RM50,000,000	65	58
Boustead Curve Sdn Bhd	Property investments	RM150,000,000	65	58
Boustead Hotels & Resorts Sdn Bhd	Hotel operations	RM75,000,000	65	58
Boustead Retail Network Sdn Bhd	Ceased operations	RM250,000	65	58
Boustead Linear Corporation Sdn Bhd	Manufacture of chilled water	RM12,000,000	39	35
Bakti Wira Development Sdn Bhd	Investment holdings	RM75,000	65	—
SB Industries (Sdn) Bhd**	Property holding	RM5,800,000	65	—

Name of Company*	Principal Activities	Paid-Up Capital	Group Interest %	
			2007	2006
UAC Steel Systems Sdn Bhd**	Manufacture, sale and installation of steel roof trust systems	RM1,860,000	65	—
Boustead Penang Shipyard Sdn Bhd (formerly known as Penang Shipbuilding & Construction Sdn Bhd)	Heavy engineering construction, ship repair and ship buildings	RM230,000,000	65	—
Perstim Industries Sdn Bhd	Investment holdings	RM25,000,000	65	—
BHIC Petroleum Sdn Bhd (formerly known as PSC Petroleum Sdn Bhd)	Provision of engineering services for oil and gas industry	RM3,000,000	65	—
Dominion Defence & Industries Sdn Bhd	Supply and services of marine and defence related products	RM1,000,000	65	—
Aeromarine Maintenance Services Sdn Bhd	Provision of maintenance and services for defence related products	RM1,000,000	65	—
BHIC Defence Technologies Sdn Bhd (formerly known as PSC Defence Technologies Sdn Bhd)	Investment holdings	RM100,000	65	—
Naval Defence and Communication System Sdn Bhd	Provision for maintenance and services of telecommunication systems	RM100,000	65	—
Atlas Defence Technology Sdn Bhd	Supply of electronics and system technology to defence related industry	RM510,000	46	—
Malaysian Heavy Industry Group Sdn Bhd	Investment holdings	RM25,000	39	—
PSC Tema Shipyard Limited**@	Heavy engineering, ship repair and fabrication	Cedi 1,223,551	39	—
BHIC Bofors Defence Sdn Bhd (formerly known as PSC Bofors Defence Sdn Bhd)	Providing, supplying and servicing BOFORS weapons systems	RM1,000,000	33	—
Wavemaster-Langkawi Yacht Centre Sdn Bhd	Repair and maintenance of luxury boats and yacht customising and servicing facilities	RM7,164,012	51	—

## BOUSTEAD GROUP

Name of Company*	Principal Activities	Paid-Up Capital	Group Interest %	
			2007	2006
As at 31 December 2007				
SUBSIDIARIES				
Boustead Petroleum Sdn Bhd	Investment holdings	RM109,329,300	53	58
Boustead-Anwarsyukur Estate Agency Sdn Bhd	Plantation management	RM500,000	51	51
Jernih Rezeki Sdn Bhd	Property developer	RM5,000,000	51	51
PT Boustead Indonesia Management Consultancy Services+**	Plantation management	Rp1,836,800,000	51	51
Boustead Oil Bulking Sdn Bhd	Bulking of edible oil	RM7,000,000	51	51
Boustead Petroleum Marketing Sdn Bhd**	Marketing of petroleum products	RM229,967,000	37	40
Tatab Concessioners Sdn Bhd	Investment holdings	RM5,000	100	100
Idaman Pharma Manufacturing Sdn Bhd	Manufacture and distribution of pharmaceutical products	RM1,000,000	51	51
Boustead Trading Sdn Bhd***	Dormant	B\$1,000,000	100	100
Boustead Silasuka Sdn Bhd	Ceased operations	RM10,000,000	100	100
Boustead Sungai Manar Sdn Bhd	Ceased operations	RM4,500,000	100	100
Boustead Electronic Commerce Sdn Bhd	Ceased operations	RM100,000	100	100
Limaran Logistic Sdn Bhd	Ceased operations	RM2	100	100
Boustead Sissons Paints China Sdn Bhd	Ceased operations	RM2,200,000	42	42
Akademi Pendidikan Pemandu (M) Sdn Bhd	Ceased operations	RM5,000,000	50	44
Sungai Jernih Plantations Sdn Bhd	Ceased operations~	RM98,901,610	100	100
Perwira Plantations Sdn Bhd	Ceased operations~	RM57,120,000	100	100
Syarikat Kemajuan Bumidaya (Sabah) Sdn Bhd	Ceased operations&	RM1,346,408	100	100
Gradient Holdings Sdn Bhd	Ceased operations&	RM10,000,000	100	100
Syarikat Hing Lee Plantations Sdn Bhd	Ceased operations&	RM15,000,000	100	100
Yaw Lim Plantations Sdn Bhd	Ceased operations&	RM6,000,000	100	100
Segamaha Development Sdn Bhd	Ceased operations&	RM40,000,000	100	100
Progress Castings (1982) Sdn Bhd	Ceased operations&	RM2,000,000	100	100
Holiday Bath Sdn Bhd	Ceased operations&	RM1,750,000	100	100
Kedah Oil Palms Berhad	Ceased operations&	RM1,000,000	100	100
Ladang Segaria Sdn Bhd	Ceased operations&	RM13,400,000	100	100
Luboh Anak Batu Estates Sdn Bhd	Ceased operations&	RM1,950,000	65	58

Name of Company*	Principal Activities	Paid-Up Capital	Group Interest %	
			2007	2006
ASSOCIATES				
Pavilion Entertainment Centre (M) Sdn Bhd	Property development	RM3,000,000	50	50
Drew Ameroid (Malaysia) Sdn Bhd	Industrial chemicals distributor	RM20,000	50	50
Asia Smart Cards Centre (M) Sdn Bhd	Smart card personalisation	RM100,000	50	50
Wah Seong Boustead Co Ltd^	Consumer & building products distributor	Kyat 2,760,000	50	50
Riche Monde Sdn Bhd	Wine & spirits distributor	RM5,600,000	50	50
Applied Agricultural Resources Sdn Bhd	Agricultural research & advisory services	RM750,000	50	50
Kao (Malaysia) Sdn Bhd	Toiletries, household products distributor	RM16,000,000	45	45
Boustead Bulking Sdn Bhd	Bulking of edible oil	RM1,000,000	43	43
K'Line Kinkai (Malaysia) Sdn Bhd	Shipping agent	RM500,000	30	30
Damansara Entertainment Centre Sdn Bhd	Property investment	RM17,000,000	33	29
Affin Holdings Berhad	Financial services group	RM1,486,981,000	20	21
Cadbury Confectionery Malaysia Sdn Bhd	Chocolate & sugar confectionery manufacturer	RM8,185,000	25	25
Perimekar Sdn Bhd	Marketing, supplying, maintenance and all other services related to submarines and surface vessels	RM1,000,000	20	20
Jendela Hikmat Sdn Bhd	Property development	RM30,000,000	20	—
Boustead Heavy Industries Corporation Berhad	Investment holdings, property holding & development	RM248,457,612	—	33
Boustead Naval Shipyard Sdn Bhd	Repair and maintenance of naval & merchant ships	RM130,000,003	—	41
BH Insurance (M) Berhad**	General insurance	RM107,267,790	—	35
UAC Berhad**	Fibre cement products	RM74,408,000	—	39

\* Incorporated in Malaysia unless otherwise indicated

\*\* Subsidiaries not audited by Ernst &amp; Young

\*\*\* Incorporated in Brunei

+ Incorporated in Indonesia

^ Incorporated in Myanmar

~ Commenced member's voluntary liquidation in 2006

&amp; Commenced member's voluntary liquidation in 2004

@ Incorporated in Ghana

## ADDITIONAL DISCLOSURES

The information set out below is disclosed in accordance with the Listing Requirements of Bursa Malaysia:

### 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

There were no proceeds received during the current financial year.

### 2. SHARE BUY-BACKS DURING THE FINANCIAL YEAR

The Company did not carry out any share buy-backs exercise during the financial year ended 31 December 2007.

### 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2007. However, as at 31 December 2007, the Company issued 30.77 million ordinary shares of RM0.50 each in the Company pursuant to the conversion of the Company's bank guaranteed redeemable convertible bonds as set out in Note 29 to the financial statements.

### 4. AMERICAN DEPOSITORY RECEIPTS (ADR) / GLOBAL DEPOSITORY RECEIPT (GDR)

The Company has not sponsored any ADR/GDR programme during the financial year ended 31 December 2007.

### 5. SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its Subsidiaries, Directors and Management by the relevant regulatory bodies during the financial year ended 31 December 2007.

### 6. NON-AUDIT FEES

	Group RM'000	Company RM'000
Non-audit fees paid to external auditors for the financial year ended 31 December 2007	48	48

### 7. VARIATION IN RESULT

There was no profit estimation, forecast and projection made or released by the Company during the financial year ended 31 December 2007.

**8. PROFIT GUARANTEE**

There was no profit guarantees given by the Company and its Subsidiaries during the financial year ended 31 December 2007.

**9. REVALUATION POLICY OF LANDED PROPERTIES**

The Group's landed properties classified under property, plant and equipment are not revalued, but are reviewed at each balance sheet date to determine if there is any indication of impairment. These landed properties are stated at cost less accumulated depreciation and impairment. For landed properties classified as investment properties, the Group assesses the fair value at the end of each financial year and the change in fair value is taken as gain or loss in the income statement.

**10. MATERIAL CONTRACTS**

There were no material contracts which had been entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2007 or entered into since the end of the previous financial year.



## RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 5 April 2007, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 4.1.5 of Practice Note No. 12/2001 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2007 pursuant to the Shareholders' Mandate are disclosed as follows:

Related Party	Interested Director/ Connected Person	Nature of Transactions	Value of Transactions RM'000
Boustead Building Materials Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Management services provided by Boustead Holdings Berhad	87
	Tan Sri Dato' Lodin Wok Kamaruddin	Provision of renovation works to Boustead Petroleum Marketing Sdn Bhd, Boustead Credit Sdn Bhd, Boustead Emasewa Sdn Bhd, Boustead Sissons Sdn Bhd and Boustead Estates Agency Sdn Bhd	1,459
		Provision of forwarding services by Boustead Shipping Agencies Sdn Bhd	672
Boustead Sissons Paints Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Management services provided by Boustead Holdings Berhad and Boustead Estates Agency Sdn Bhd	382
	Tan Sri Dato' Lodin Wok Kamaruddin	Purchase of paints by Boustead Building Materials Sdn Bhd	9,563
	Dato' Ghazali Mohd Ali	Provision of warehousing services by Boustead Global Trade Network Sdn Bhd	55
		Provision of forwarding services by Boustead Shipping Agencies Sdn Bhd	496

Related Party	Interested Director/ Connected Person	Nature of Transactions	Value of Transactions RM'000
Boustead Sissons Paints Sdn Bhd (cont'd.)		Provision of computer services by Boustead Information Technology Sdn Bhd	228
		Office rental paid by Boustead Building Materials Sdn Bhd	102
		Purchase of engineering equipment and chemicals from Boustead Engineering Sdn Bhd	29
Boustead Properties Berhad Group	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Sale of fertiliser by Boustead Engineering Sdn Bhd	3,440
		Advertising services provided by Boustead Advertising Sdn Bhd	119
	Tan Sri Dato' Lodin Wok Kamaruddin	General and plantation management services by Boustead Holdings Berhad and Boustead Estates Agency Sdn Bhd	653
		Office rental paid by Boustead Holdings Berhad Group	6,427
	Hj. Johari Muhamad Abbas	Property management services provided to Boustead Holdings Berhad	148
		Provision of renovation works provided by Boustead Building Materials Sdn Bhd	1,707
	Datuk Azzat Kamaludin	Provision of computer services by Boustead Information Technology Sdn Bhd	285
		Purchase of fresh fruit bunches by Boustead Holdings Berhad Group	57,828
	Dato' Ghazali Mohd Ali	Sale of fuel by Boustead Petroleum Marketing Sdn Bhd	97

## RECURRENT RELATED PARTY TRANSACTIONS

Related Party	Interested Director/ Connected Person	Nature of Transactions	Value of Transactions RM'000
Boustead Naval Shipyard Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Provision of renovation works by Boustead Building Materials Sdn Bhd	467
	Tan Sri Dato' Lodin Wok Kamaruddin	Provision of shipping services by Boustead Shipping Agencies Sdn Bhd	544
	Datuk Azzat Kamaludin	Advertising services provided by Boustead Advertising Sdn Bhd	2,868
		Sale of fuel by Boustead Petroleum Marketing Sdn Bhd	487
Affin Holdings Berhad Group	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Office rental for Menara Boustead, Mutiara Damansara and Menara Affin paid to Boustead Realty Sdn Bhd, Boustead Curve Sdn Bhd and Boustead Properties Berhad	12,651
	Tan Sri Dato' Lodin Wok Kamaruddin	Professional fees paid to Affin Holdings Berhad Group	60
	Dato' Ghazali Mohd Ali		
	Datuk Azzat Kamaludin		
UAC Berhad	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Office rental for Menara Boustead paid to Boustead Realty Sdn Bhd	411
	Tan Sri Dato' Lodin Wok Kamaruddin	Sale of trading goods to Boustead Building Materials Sdn Bhd	20,467
		Sale of fuel by Boustead Petroleum Marketing Sdn Bhd	2,276
		Provision of forwarding services by Boustead Shipping Agencies Sdn Bhd	417

Related Party	Interested Director/ Connected Person	Nature of Transactions	Value of Transactions RM'000
Johan Ceramics Berhad	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Sale of trading goods to Boustead Building Materials Sdn Bhd	5,407
	Tan Sri Dato' Lodin Wok Kamaruddin	Sale of fuel by Boustead Petroleum Marketing Sdn Bhd	261
Arkitek MAA	Dato' Ghazali Mohd Ali	Architectural services to Mutiara Rini Sdn Bhd, Boustead Curve Sdn Bhd and Boustead Plantations Berhad	4,505
Azzat & Izzat	Datuk Azzat Kamaludin	Provision of legal services to Boustead Holdings Berhad Group	274
Irat Hotel & Resorts Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Office rental for Menara Boustead paid to Boustead Realty Sdn Bhd	61
	Tan Sri Dato' Lodin Wok Kamaruddin	Provision of project management services by Boustead Realty Sdn Bhd	180
	Dato' Ghazali Mohd Ali		
Perimekar	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat  Tan Sri Dato' Lodin Wok Kamaruddin	Office rental for Menara Boustead paid to Boustead Realty Sdn Bhd	137

## RECURRENT RELATED PARTY TRANSACTIONS

Related Party	Interested Director/ Connected Person	Nature of Transactions	Value of Transactions RM'000
Power Cable Malaysia	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat  Tan Sri Dato' Lodin Wok Kamaruddin	Sale of fuel by Boustead Petroleum Marketing Sdn Bhd	5
Perwira Niaga Malaysia	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat  Tan Sri Dato' Lodin Wok Kamaruddin	Sale of fuel by Boustead Petroleum Marketing Sdn Bhd	4,353
Boustead Heavy Industries Corporation Berhad	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat  Tan Sri Dato' Lodin Wok Kamaruddin  Datuk Azzat Kamaludin  Dato' Ghazali Mohd Ali	Advertising services provided by Boustead Advertising Services Sdn Bhd  Provision of shipping services by Boustead Shipping Agencies	58  116
Idaman Pharma Manufacturing Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat  Tan Sri Dato' Lodin Wok Kamaruddin	Purchase of engineering equipment and chemicals from Boustead Engineering Sdn Bhd	102
Boustead Petroleum Marketing Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat  Tan Sri Dato' Lodin Wok Kamaruddin	Purchase of fuel by Boustead Plantations Berhad  Provision of forwarding services by Boustead Shipping Agencies Sdn Bhd	252  503

## TOP 10 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
<b>At 31 December 2007</b>				<b>Years</b>	<b>RM million</b>
Menara Boustead, 69 Jalan Raja Chulan, Kuala Lumpur	0.43	Office complex	Freehold	22	128.1
The Curve, No. 6, Jalan PJU 7/3, Mutiara Damansara, Selangor	5.04	Commercial land & building	Freehold	3	375.0
Grant No. 5314, Semenyih, Selangor	41.20	University campus	Freehold	2	145.6
Menara Affin, 80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office complex	Freehold	9	121.9
17-21 Jalan Bukit Bintang	0.31	Hotel	Freehold	10	106.9
Lot 923, Jalan Ampang, Kuala Lumpur	0.11	Condominium under construction	Freehold		53.4
Loagan Bunut Estate, Miri, Sarawak	4,190	Oil palm estate & palm oil mill	1991-2091	3	46.5
Sungai Lelak Estate, Miri, Sarawak	3,734	Oil palm estate	1988-2088		46.0
No. 6 Jalan PJU 7/3, Mutiara Damansara, Selangor	0.62	Hotel	Freehold	3	37.1
Lot 70, Mutiara Damansara, Mukim Sungai Buloh, Selangor	34.82	Development land	Freehold		29.5



## GROUP OIL PALM AGRICULTURAL STATISTICS

	2007	2006	2005	2004	2003
Planted hectares					
Prime mature	<b>62,521</b>	56,626	55,301	38,975	38,728
Young mature	<b>7,493</b>	14,370	18,378	33,013	28,164
Total mature	<b>70,014</b>	70,996	73,679	71,988	66,892
Immature	<b>6,158</b>	5,698	4,559	8,219	13,126
Total planted	<b>76,172</b>	76,694	78,238	80,207	80,018
FFB crop (MT)	<b>1,196,035</b>	1,262,449	1,215,027	1,149,176	1,089,079
FFB yield per hectare (MT/hectare)					
Prime mature	<b>17.7</b>	19.8	22.2	22.9	23.0
Total mature	<b>17.1</b>	17.8	16.9	16.0	16.3
Mill production (MT)					
Palm oil	<b>258,624</b>	248,135	237,521	213,368	179,182
Palm kernel	<b>63,091</b>	59,915	58,840	52,928	45,785
Extraction rates (%)					
Palm oil	<b>19.9</b>	20.1	20.4	19.9	19.8
Palm kernel	<b>4.9</b>	4.9	5.1	4.9	5.1
Oil yield per prime mature hectare (MT/hectare)	<b>4.2</b>	4.7	5.2	5.2	5.3
Average selling prices (RM per MT)					
FFB	<b>482</b>	266	261	308	272
Palm oil	<b>2,279</b>	1,464	1,375	1,616	1,504
Palm kernel	<b>1,338</b>	862	981	1,036	713

## PLANTATION AREA STATEMENT

### AREA STATEMENT

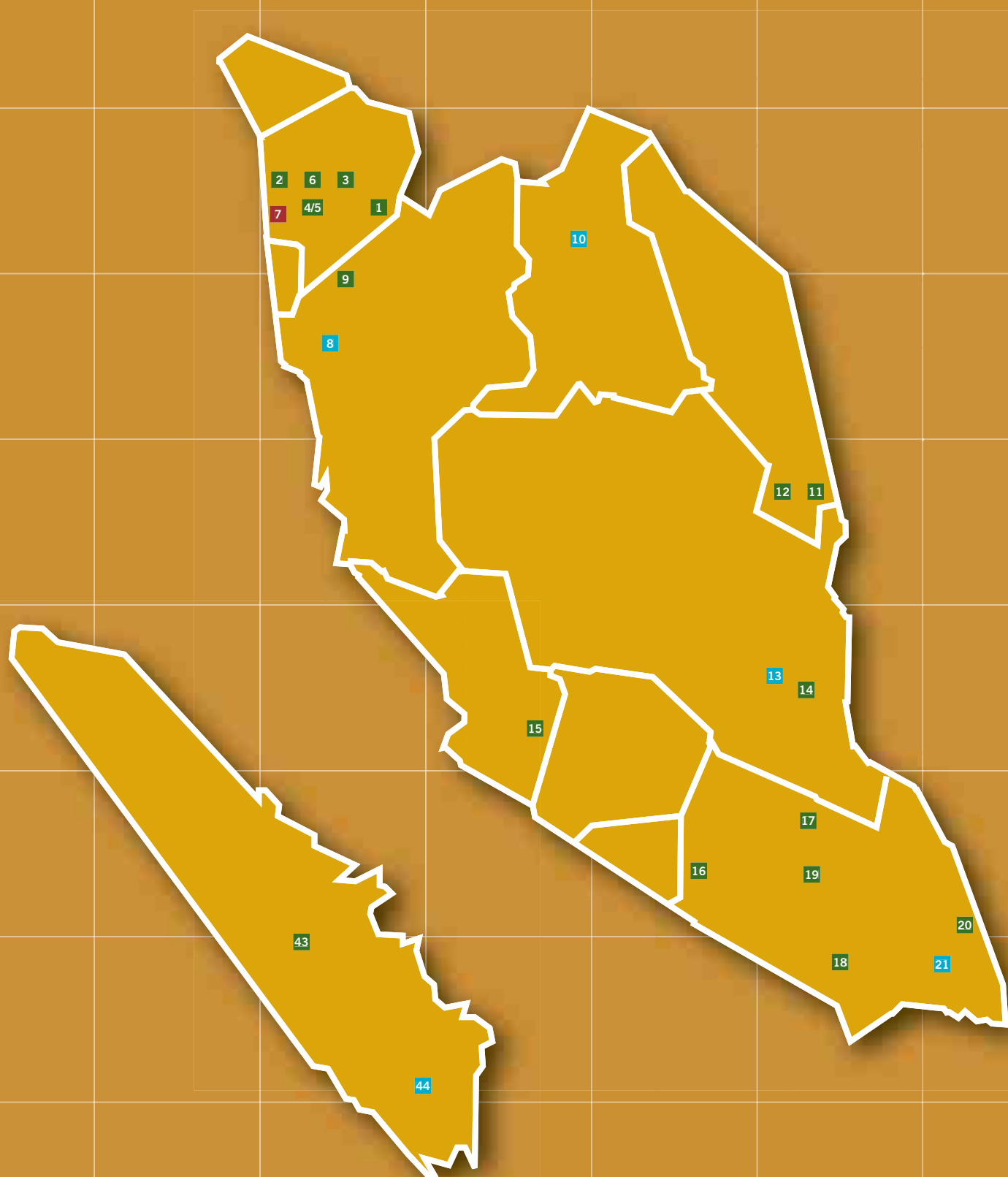
Categories	2007		2006	
	Hectares	% of planted area	Hectares	% of planted area
Oil Palm	76,172	99.48	76,694	99.38
Forestry	225	0.30	301	0.39
Coconut	176	0.22	176	0.23
Total Planted	76,573	100.00	77,171	100.00
Plantable reserves	12,325		12,600	
Building sites, etc.	14,252		13,368	
Total hectares	103,150		103,139	

### AGE PROFILE OF PALMS

Region	Immature	Young Mature	Prime Mature		Total Planted
	< 3 years	3-6 years	7-15 years	16-25 years	
Peninsular Malaysia	2,964	3,553	9,588	10,627	26,732
Sabah	3,145	2,547	10,068	8,007	23,767
Sarawak	—	1,373	17,438	—	18,811
Indonesia	49	20	6,793	—	6,862
Total hectares	6,158	7,493	43,887	18,634	76,172

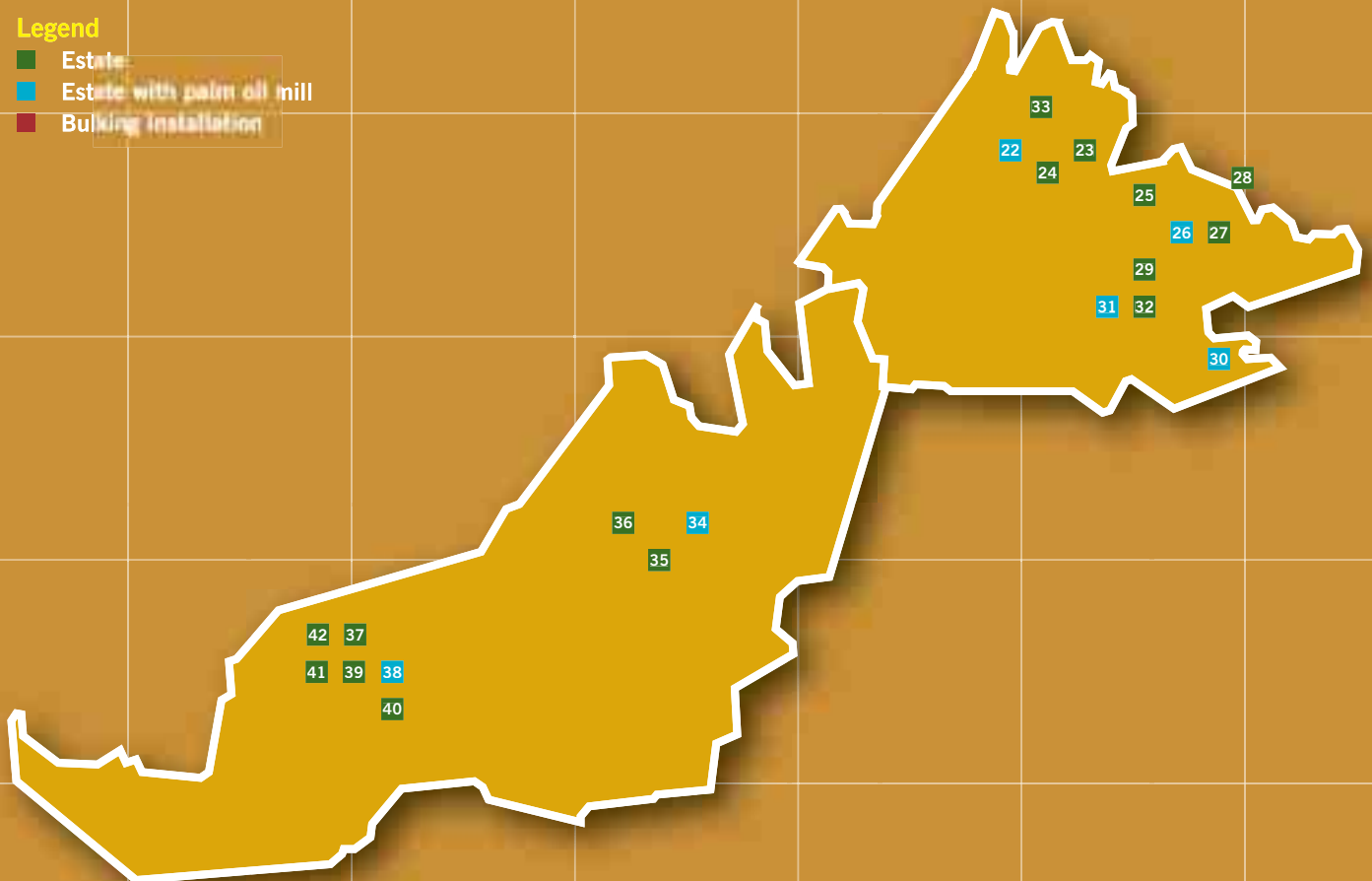
Oil palm area includes 48,940 hectares leased from Golden Crop Returns Berhad and Al-Hadharah Boustead REIT.

## LOCATION OF GROUP PLANTATIONS



**Legend**

- Estate
- Estate with palm oil mill
- Bulking installation

**Peninsular Malaysia**

1. Batu Pakaka
2. Kuala Muda
3. Stothard
4. Kedah Oil Palm
5. Bukit Mertajam
6. Malakoff
7. Bulking Installation
8. TRP
9. Malaya
10. Lapan Kabu
11. Solandra
12. LTT-Terengganu
13. Sungai Jernih
14. Bebar
15. Balau

16. Bekoh
17. Eldred
18. Kulai Young
19. Chamek
20. Boustead Sedili
21. Telok Sengat

**Sabah & Sarawak**

22. Sungai Sungai 1
23. Sungai Sungai 2
24. Kawananan
25. Resort
26. Nak
27. Sutera
28. Pulau Bai
29. LTT-Sabah
30. Segaria

31. Sungai Segamaha
32. Bukit Segamaha
33. Lembah Paitan
34. Loagan Bunut
35. Sungai Lelak
36. Bukit Limau
37. Pedai

38. Jih
39. Kelimut
40. Maong
41. Mapai
42. Bawan

**Indonesia**

43. Anam Koto
44. Bingin Rupit

## SHAREHOLDING STATISTICS

AS AT 31 JANUARY 2008				
SIZE OF SHAREHOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
Less than 100	337	4.34	14,656	0.00
100 to 1,000	1,697	21.83	1,456,267	0.23
1,001 to 10,000	4,283	55.10	17,223,409	2.74
10,001 to 100,000	1,227	15.79	36,805,429	5.85
100,001 to less than 5% of issued shares	228	2.93	218,673,896	34.77
5% and above of issued shares	1	0.01	354,865,562	56.41
<b>TOTAL</b>	<b>7,773</b>	<b>100.00</b>	<b>629,039,219</b>	<b>100.00</b>

30 LARGEST SHAREHOLDERS AS AT 31 JANUARY 2008		NO. OF SHARES	%
1.	LEMBAGA TABUNG ANGKATAN TENTERA	354,865,562	56.41
2.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)</i>	19,573,700	3.11
3.	SCOTIA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN</i>	17,000,000	2.70
4.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)</i>	7,370,700	1.17
5.	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBHK FOR KUWAIT INVESTMENT AUTHORITY (FUND 202)</i>	7,210,100	1.15
6.	ENG HUENG FOOK HENRY	6,734,000	1.07
7.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC SOUTH-EAST ASIA SELECT FUND</i>	6,094,200	0.97
8.	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CACEIS BANK LUXEMBOURG (CLT ACCT-LUX)</i>	5,922,300	0.94
9.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC GROWTH FUND</i>	5,030,000	0.80
10.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC EQUITY FUND</i>	4,567,100	0.73
11.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)</i>	4,270,000	0.68
12.	CHINCHOO INVESTMENT SDN. BERHAD	4,206,600	0.67

30 LARGEST SHAREHOLDERS AS AT 31 JANUARY 2008 (cont'd.)		NO. OF SHARES	%
13.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC FAR-EAST SELECT FUND</i>	4,180,200	0.66
14.	HSBC NOMINEES (ASING) SDN BHD <i>HSBC-FS FOR EK ASIA FUND</i>	4,070,000	0.65
15.	YONG SIEW YOON	4,055,040	0.64
16.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC FAR-EAST DIVIDEND FUND</i>	3,475,000	0.55
17.	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR DFA EMERGING MARKETS FUND</i>	3,343,400	0.53
18.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>ING INSURANCE BERHAD (INV-IL PAR)</i>	3,241,700	0.52
19.	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (HBFS-I CLT ACCT)</i>	3,099,400	0.49
20.	CHE LODIN BIN WOK KAMARUDDIN	2,850,000	0.45
21.	CARTABAN NOMINEES (ASING) SDN BHD <i>CREDIT INDUSTRIEL ET COMMERCIAL, SINGAPORE FOR ENG HUENG FOOK HENRY</i>	2,796,033	0.44
22.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND (N14011940110)</i>	2,551,000	0.41
23.	CITIGROUP NOMINEES (ASING) SDN BHD <i>CTCL FOR INVESCO PERPETUAL INTERNATIONAL EQUITY FUND</i>	2,474,000	0.39
24.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC DIVIDEND SELECT FUND</i>	2,473,000	0.39
25.	GAN TENG SIEW REALTY SDN BERHAD	2,452,000	0.39
26.	KEY DEVELOPMENT SDN. BERHAD	2,300,500	0.37
27.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN TRUSTEES BERHAD FOR PB ASEAN DIVIDEND FUND (270334)</i>	2,175,000	0.35
28.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN TRUSTEES BERHAD FOR PUBLIC BALANCED FUND (N14011950210)</i>	2,146,500	0.34
29.	CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB BANK FOR SONG KEE LING (MM0873)</i>	1,943,900	0.31
30.	BHLB TRUSTEE BERHAD <i>PUBLIC FOCUS SELECT FUND</i>	1,938,000	0.31
<b>TOTAL</b>		<b>494,408,935</b>	<b>78.59</b>



## STATEMENT OF DIRECTORS' INTERESTS

IN THE COMPANY AND RELATED CORPORATIONS AS AT 31 JANUARY 2008

Name of Director	No. of shares	Direct %
No. of ordinary shares of RM0.50 each		
<b>Boustead Holdings Berhad</b>		
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	21,115,000	3.36
Tuan Hj. Johari Muhamad Abbas	56,666	0.01
<b>SUBSIDIARIES</b>		
No. of ordinary shares of RM1.00 each		
<b>Boustead Properties Berhad</b>		
Tuan Hj. Johari Muhamad Abbas	27,500	0.01
Y. Bhg. Datuk Azzat Kamaludin	5,000	—
<b>Boustead Heavy Industries Corporation Berhad</b>		
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	2,000,000	0.80
Y. Bhg. Datuk Azzat Kamaludin	515,300	0.21
Y. Bhg. Dato' Ghazali Mohd Ali	75,000	0.03
<b>Boustead Petroleum Sdn Bhd</b>		
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	5,466,465	5.00

Name of Director	No. of shares	Direct %
<b>RELATED COMPANIES</b>		
No. of ordinary shares of RM1.00 each		
<b>Affin Holdings Berhad</b>		
Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	91,708	0.01
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	808,714	0.05
Tuan Hj. Johari Muhamad Abbas	27,000	—
Y. Bhg. Datuk Azzat Kamaludin	110,000	0.01
Y. Bhg. Dato' Ghazali Mohd Ali	51,000	—
No. of units - Warrants (W3)		
<b>Affin Holdings Berhad</b>		
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	1,500	—
Tuan Hj. Johari Muhamad Abbas	5,000	—

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY given that the Forty-Sixth Annual General Meeting of Boustead Holdings Berhad will be held at 4th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 3 April 2008 at 11.00 a.m. for the purpose of transacting the following business:**

### ORDINARY BUSINESS

### Resolution Number

To receive and, if thought fit, adopt the audited financial statements for the year ended 31 December 2007, and the Report of the Directors.

1

To declare a final dividend and a bonus dividend of 16% and 20% less tax to be paid on 12 May 2008.

2

To re-elect Y. Bhg. Datuk Azzat bin Kamaludin who retires by rotation and, being eligible, offers himself for re-election.

3

To consider and, if thought fit, pass the following resolutions:

"THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat who is over 70 years of age be re-appointed a Director of the Company to hold office until the next Annual General Meeting."

4

"THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din who is over 70 years of age be re-appointed a Director of the Company to hold office until the next Annual General Meeting."

5

"THAT pursuant to Section 129(6) of the Companies Act, 1965, Tuan Hj. Johari Muhamad Abbas who is over 70 years of age be re-appointed a Director of the Company to hold office until the next Annual General Meeting."

6

To approve the increase in Directors' Fees from RM135,000 to RM280,000.

7

To re-appoint Auditors and to authorise the Directors to determine their remuneration.

8

**SPECIAL BUSINESS****Resolution  
Number**

To consider and, if thought fit, pass the following resolutions:

Ordinary Resolution – Authority to Allot and Issue Shares In General Pursuant to Section 132D of the Companies Act, 1965

9

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Ordinary Resolution – Approval to Transact with Directors Pursuant to Section 132E of the Companies Act, 1965

10

"THAT pursuant to Section 132E of the Companies Act, 1965 (Act), authority be and is hereby given to the Company or its Subsidiaries to enter into arrangements or transactions with the Directors of the Company or its holding corporation or its related corporations or any person connected with such Directors (within the meaning of Section 122A of the Act) whereby the Company or its Subsidiaries may dispose to such Directors or connected persons non-cash assets of the requisite value AND THAT such transactions are carried out on terms set out below.

Terms:

The following graduated discount for the purchase of units/land at any housing project developed by the Boustead Group be given to all Directors of Boustead Holdings Berhad and Boustead Properties Berhad:

- (i) for units/land valued above RM500,000 – 20% discount (inclusive of 7% discount given to Bumiputra purchasers);
- (ii) for units/land below RM500,000 – 17% discount (inclusive of 7% discount given to Bumiputra purchasers);

on condition that the Board member has served at least 2 years, that the discount is not more than RM250,000 and the property must not be disposed within 5 years of purchase.

## NOTICE OF ANNUAL GENERAL MEETING

### SPECIAL BUSINESS (cont'd.)

### Resolution Number

The Board member is entitled to same benefit for the purchase of a second unit provided it is made five years after the first purchase.

AND THAT such authority shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by the Company in a General Meeting;

whichever is the earlier."

Ordinary Resolution – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

11

"THAT, subject to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its Subsidiaries to enter into all transactions involving the Related Parties as specified in Section 2.3.1 of the Circular to Shareholders dated 12 March 2008 provided that such transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders.

AND THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (AGM), at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders in a General Meeting;

**SPECIAL BUSINESS (cont'd.)****Resolution  
Number**

whichever is the earlier.

And further that the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

Ordinary Resolution – Proposed Additional Shareholders' Mandate for Recurrent Related Party Transactions

12

"THAT, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its Subsidiaries shall be mandated to enter into recurrent transactions of a revenue or trading nature with the Related Party as specified in Section 2.3.2 of the Circular to Shareholders dated 12 March 2008 subject further to the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;
- (ii) disclosure will be made of a breakdown of the aggregate value of transactions conducted pursuant to the Mandate during the financial year based on the following information in the Company's Annual Report and in the Annual Reports for subsequent financial years that the Mandate continues in force:
  - (a) the type of the recurrent related party transactions made; and
  - (b) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company; and
- (iii) that such authority shall continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting (AGM) of the Company following the General Meeting at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the Meeting, the authority is renewed;
  - (b) the expiration of the period within which the next AGM after this date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
  - (c) revoked or varied by a resolution passed by the shareholders in a General Meeting;

whichever is earlier provided that such transactions are made on an arms length basis and on normal commercial terms."



## NOTICE OF ANNUAL GENERAL MEETING

### SPECIAL BUSINESS (cont'd.)

#### Resolution Number

Proposed Amendments to the Articles of Association of the Company

13

To consider and, if thought fit, pass the following Special Resolution:

THAT the proposed alterations, modifications, additions or deletions to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 12 March 2008 be and is hereby approved and adopted.

To transact any other ordinary business of the Company.

—

By Order of the Board

Kuala Lumpur  
12 March 2008

SHARIFAH MALEK  
Secretary

### FINAL DIVIDEND AND BOOK CLOSURE

If approved, the above dividend will be paid to shareholders on 12 May 2008.

NOTICE IS HEREBY GIVEN that the Transfer Register and Register of Members of the Company will be closed on 26 April 2008 for determination of shareholders' entitlements to the said dividends.

**NOTES:**

- (a) Any member entitled to attend and vote may appoint up to two (2) proxies, who need not be a member, to attend and vote on his or her behalf. Ordinary shareholders are being sent herewith a Form of Proxy with provision for two-way voting on the foregoing numbered resolutions. The instrument appointing a Proxy must be lodged at the Registered Office or Share Registrar's office not less than forty-eight hours before the time of the Meeting.
- (b) The ordinary resolution proposed under item 9 above, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting required by law to be held, whichever is earlier.
- (c) Section 132E of the Companies Act, 1965, prohibits a Company or its Subsidiaries from entering into any arrangements or transactions with its directors or persons connected with such Directors in respect of the acquisition from or disposal to such directors or connected persons any non-cash assets of the "requisite value" without prior approval of the Company in General Meeting. According to the Act, a non-cash asset, is considered to be of the "requisite value" if, at the time of the arrangements or transactions, its value is greater than two hundred and fifty thousand ringgit or 10% of the Company's net assets, subject to a minimum of ten thousand ringgit. The ordinary resolution No. 10 if passed, will authorise the Company and each of its Subsidiaries to dispose to its Directors or connected persons, non-cash assets which may fall within the definition of the "requisite value". The Board member is required to serve 2 years before he is entitled to the graduated discount. The Board member is entitled to the same benefit for the purchase of a second unit provided it is made five years after the first purchase.
- (d) The proposed resolutions 11 and 12, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.
- (e) The proposed Resolution No. 13, if passed, will allow the Company to incorporate the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad to ensure compliance. The details of this proposal are set out in the Circular to Shareholders dated 12 March 2008.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### DETAILS OF BOARD MEETINGS

A total of four Board Meetings were held during the financial year ended 31 December 2007, details of which are as follows:

Date	Time	Place
1 March 2007	12.10 p.m to 1.35 p.m	28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur
15 May 2007	10.30 a.m to 12.25 p.m	28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur
20 August 2007	3.20 p.m to 5.45 p.m	28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur
9 November 2007	11.00 a.m to 1.00 p.m	28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur

Details of attendance of Board Meetings of Directors seeking re-appointment or re-election are as follows:

	Number of meetings attended
(a) Directors standing for re-appointment under Section 129 (6) of the Companies Act, 1965	
(i) Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	All 4 meetings
(ii) Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din	All 4 meetings
(iii) Tuan Hj. Johari Muhamad Abbas	2 of 4 meetings
(b) Director standing for re-election	
Y. Bhg. Datuk Azzat bin Kamaludin	3 of 4 meetings

# PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_

being (a) member(s) of BOUSTEAD HOLDINGS BERHAD hereby appoint the Chairman of the Meeting or (See Note 1) \_\_\_\_\_

\_\_\_\_\_ as my/our proxy to attend and vote as indicated hereon on my/our behalf at the Annual General Meeting of the Company to be held on 3 April 2008 and at any adjournment thereof.

Resolution		For	Against
No. 1	Adoption of Directors' Report and Financial Statements		
No. 2	Approval of Dividend		
No. 3	Re-election of Y. Bhg. Datuk Azzat bin Kamaludin		
No. 4	Re-appointment of Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat		
No. 5	Re-appointment of Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din		
No. 6	Re-appointment of Tuan Hj. Johari Muhamad Abbas		
No. 7	Approval of the increase in Directors' Fees		
No. 8	Re-appointment of Auditors		
No. 9	Approval for Directors to allot and issue shares		
No. 10	Authority to transact with Directors		
No. 11	Renewal of Shareholders' Mandate for recurrent related party transactions		
No. 12	Additional Shareholders' Mandate for recurrent related party transactions		
No. 13	Amendments to the Articles of Association of the Company		

No. of Shares

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

Signature \_\_\_\_\_

## Notes:-

1. If you wish to appoint as a Proxy some person other than the Chairman of the Meeting, please insert in block capitals the full name and address of the person of your choice and initial the insertion at the same time deleting the words "the Chairman of the Meeting or". A Proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.
2. In the absence of any specific direction the Proxy will vote, or abstain from voting, as he thinks fit.
3. In the case of a Corporation, the Proxy should be executed under its Common Seal or under the hand of some officer duly authorised in writing in that behalf.
4. Article 62. If you have appointed more than one proxy, please specify the proportion of your shares to be represented by each proxy.
5. Article 93. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the Share Registrar's office located at 13th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

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FOLD HERE

STAMP

Boustead Management Services Sdn Bhd  
13th Floor, Menara Boustead  
No. 69 Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia