



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

BOUSTEAD HOLDINGS BERHAD 3871-H

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annual report 2011

DELIVERING
GROWTH
annual report 2011

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Cover Rationale

It has been a growth year for the Group, in terms of both, the expansion of our businesses and in experiencing organic growth. Our newly established core values of respect, integrity, teamwork and excellence have been the cornerstone to drive our ability to deliver growth for our shareholders and stakeholders. Hence, the clean and crisp feature of our Annual Report highlights the simple yet profound manner of our ability to deliver this year.

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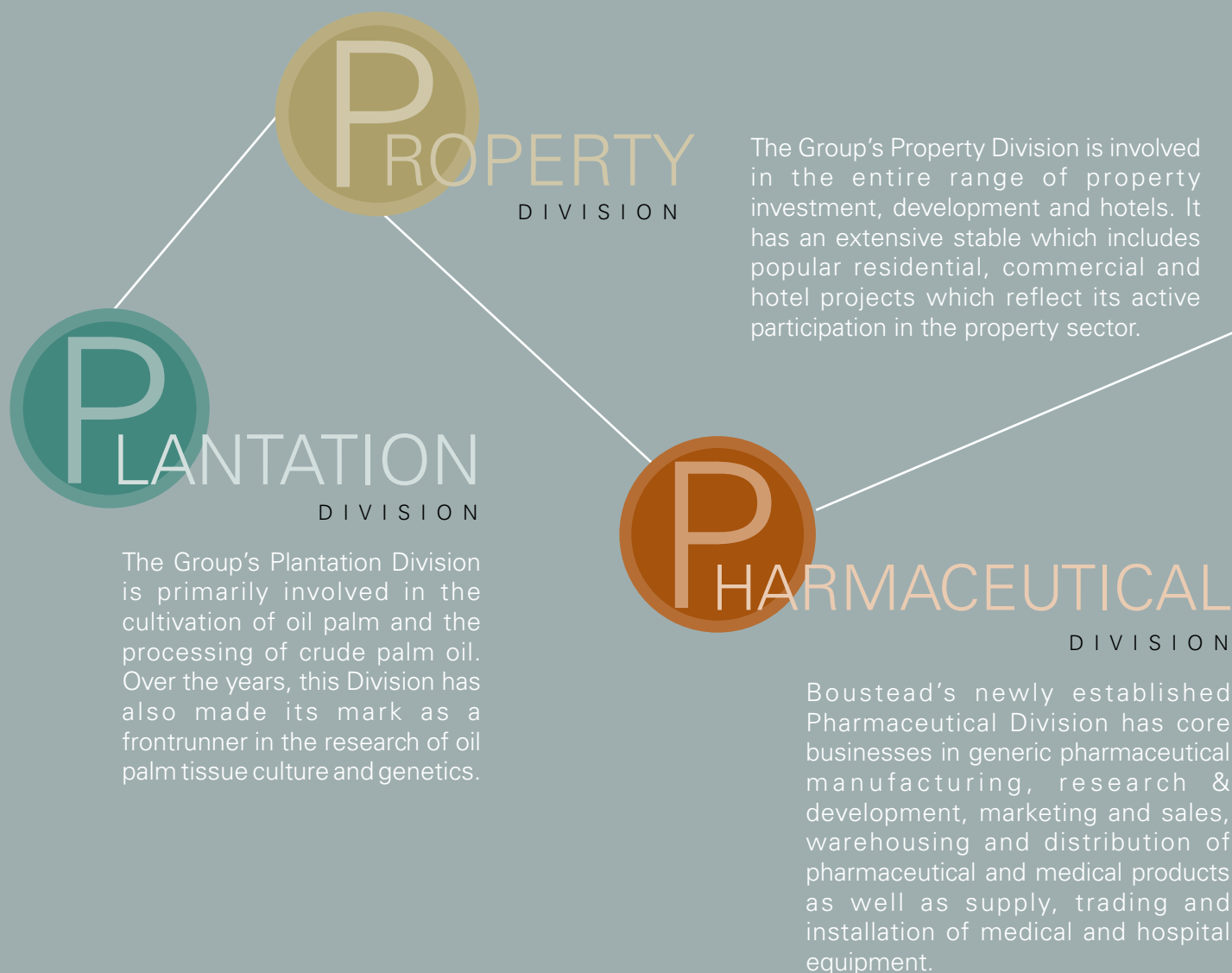
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About Us

Boustead Holdings Berhad which was established in 1828 is a diverse and multifaceted conglomerate involved in six key sectors of the Malaysian economy: Plantation, Property, Pharmaceutical, Heavy Industries, Trading & Manufacturing and Finance & Investment.

Boustead's talent pool continues to grow and today the Group has more than 15,000 employees spanning over 80 subsidiaries. The Group which has been listed since 1961, has total assets in excess of RM12 billion. With Lembaga Tabung Angkatan Tentera as its major shareholder, the Group's shareholders' fund today stands at RM4 billion.

OUR CORE BUSINESS



OUR CORE VALUES

- **Respect**
- **Integrity**
- **Teamwork**
- **Excellence**



H EAVY INDUSTRIES DIVISION

The Heavy Industries Division has a firm footing in the marine sector and is involved with both commercial and naval vessels. Its involvement encompasses shipbuilding, fabrication of offshore structures as well as the restoration and maintenance of vessels and defence-related products. The Division also has investments in the oil and gas and aviation businesses.

T RADING & MANUFACTURING DIVISION

In addition to owning Malaysia's only other national retail petroleum network, this Division also engages in manufacturing and distribution of building materials as well as travel, shipping and engineering.

F INANCE & INVESTMENT DIVISION

The Group is constantly looking out for viable investments and its current portfolio includes investments in consumer banking, investment banking, Islamic banking, insurance, education and fast-moving consumer goods.

AT A GLANCE

Revenue

**RM8.6
billion**

- Highest revenue in the history of the Group.
- Significant 38% increase year on year.

Profit Before Tax

**RM831
million**

- Record profit before tax.
- A 14% improvement from the previous year.

Profit After Tax

**RM732
million**

- A 17% increase compared with the previous year.
- Achieved, due to our diverse investments.

EBITDA

**RM1.2
billion**

- 14% of revenue.
- 24% improvement from the previous year.

CAPEX

**RM973
million**

- Driven primarily by Heavy Industries and Plantation Divisions.
- Propelling organic and inorganic growth.

Total Assets

**RM12.7
billion**

- 37% growth year on year.
- Diverse assets range of properties, equities and liquidity.

Employees

15,712

- 14% expansion in human capital.
- Unique and skillful talent pool.

Dividend

39 sen

- Yield of 6.7% on closing price for the financial year.
- Payment ratio of 94% surpassing minimum dividend ratio of 70%.

Leader in Categories

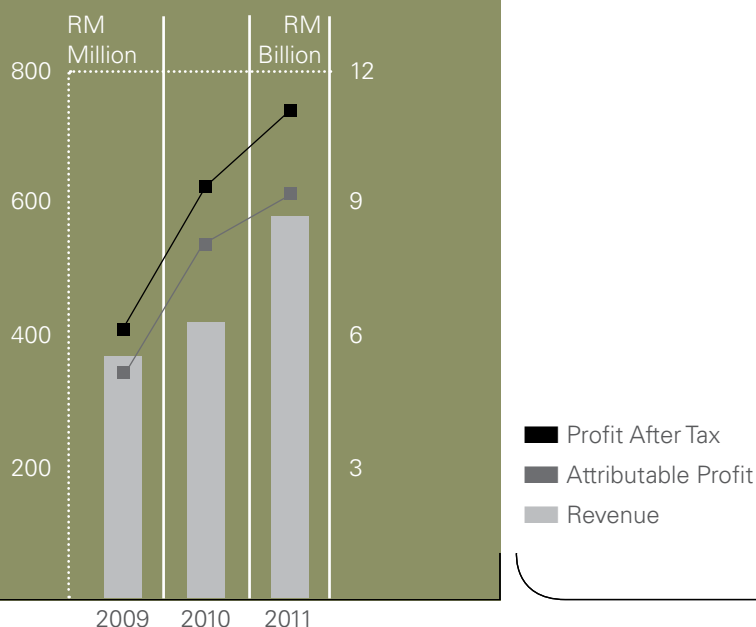
- The Al-Hadharah Boustead REIT, Malaysia's first and only Islamic plantations REIT.
- Pharmaniaga Berhad, Malaysia's largest integrated pharmaceutical entity.
- BHPetrol, Malaysia's only other national retail petroleum network.
- The Royale chain of hotels, a leading hotel chain in Malaysia.
- University of Nottingham in Malaysia, top private university in Malaysia.

Chairman's Statement

*Dear
Shareholder,*

Delivering amidst an unstable climate has been the essence of 2011 for Boustead Holdings Berhad. Your Group has clocked in a record profit before tax of RM831 million which surpassed the previous record profit registered in financial year 2007.





Boustead Holdings Berhad 2011 annual report

On this happy note, I am pleased to present to you, our annual report for the financial year ended 31 December 2011.

ECONOMIC LANDSCAPE

The world economy was led by Asia in 2011 as advanced nations lagged behind. Asia's resilience in the face of uncertainties is clearly an indication of the continent's emergence as an engine of global growth. Meanwhile, countries involved in the manufacturing chain were affected by the natural disasters that took place in Japan and Thailand in 2011.

Domestic demand continued to support growth as the Malaysian economy under the stewardship of our able Government delivered a commendable 5.1% Gross Domestic Product (GDP) for the full year, in spite of global uncertainties.

In view of the challenging external environment, the Malaysian Government's continuous implementation of the Economic Transformation Plan (ETP) and Government Transformation Plan has played a significant role in ensuring that our domestic economy remains robust and attractive.

FINANCIAL PERFORMANCE

The year under review witnessed the Group surpassing last year's sterling results with a 17% increase in profit after tax which stood at RM732 million compared with RM625 million recorded in the previous year. Most Divisions surpassed previous year's results, pushing the envelope in terms of profit contribution.

Earnings per share stood at 59 sen (2010: 52 sen) whereas net assets per share was RM4.73 (2010: RM4.50). Shareholders' funds increased to RM4.5 billion for the year ended 31 December 2011 compared with RM4.2 billion recorded in the previous year.

Chairman's Statement



DIVIDEND

The Boustead Group has been successful in striking a balance between maintaining a consistent and regular dividend payment that promotes a stable stream of return to shareholders and conserving funds critical to its long-term growth. The Group's dividend payout net of tax was 39 sen per share representing a 6.7% yield based on the closing price for the financial year. To date, dividends totalling 30 sen have been paid out to shareholders, with the remaining 9 sen payable on 30 March 2012.

HUMAN CAPITAL

As we move forward, we are aware of the ever evolving global arena that values capable talent above all else. In line with this, one of the core strategic thrusts of the Government's 10th Malaysia Plan is to develop and retain a first-world talent base. In an effort to support the Government's cause, the Group aims to foster an environment that nurtures talent and provides individuals with the opportunity to develop their skills.

We have a sterling track record as a diversified conglomerate and our strength lies in our ability to empower businesses with the right tools to succeed. We believe in employing the same concept for our talent base. The Group trusts that by fostering a culture that values and nurtures talent, we are fuelling growth opportunities for Boustead while contributing to a more progressive future for the nation.

During the year under review, we introduced our Core Values and Competencies to further develop the growth and sustainability of our human capital. Our Core Values comprise Respect, Integrity, Teamwork and Excellence while our Core Competencies include Results Driven, Shared Responsibility, Continuous Improvement, Customer Focus and Interpersonal Skills. We believe these values are applicable across the Group as they guide our focus towards the development of our talent.

OUTLOOK

In recent months, the escalating sovereign debt crisis in Europe, ongoing fiscal consolidation and policy uncertainties have plagued the European Union. Meanwhile, growth in advanced economies has been affected by compounded market instability, impaired financial intermediation and frail labour market circumstances.

As for Asia, while growth is supported by sustained domestic demand, the weaker external environment has caused Asia's growth momentum to moderate.



Boustead Holdings Berhad 2011 annual report

We are conscious of the challenging business environment that has been forecasted for 2012. However, we remain positive on the prospects for the Group especially given our track record for tackling challenges head on during trying times. We are mindful that our core strength is undeniably tied back to the diversified nature of our business and as such we are aware of the significance of staying lean and mean in our business units that span different sectors of the economy.

We also hope to contribute further to the Malaysian Government's ETP especially given the Group's involvement in most of the 12 National Key Economic Areas.

ACKNOWLEDGEMENT

My heartfelt thanks to our Board members for their support and invaluable guidance. I would practically like to thank our fellow Director, Lt. Gen. Dato' Mohd Yusof Din (R), who will not be standing for re-election. During his years of service to the Group, he has been an invaluable part of the Board and his contribution has been an enormous one. Indeed, on a personal note and on behalf of the Board, we will miss him for his business acumen and foresight.

I would also like to convey our deep appreciation for the hard work and dedication of the management and staff of the Group for their efforts in enabling Boustead to deliver yet another year of strong performance.

We are grateful for the immense support and the trust accorded to us by our majority shareholder, Lembaga Tabung Angkatan Tentera. Thank you also to our shareholders for your confidence in us. We would like to thank the Group's financiers, business associates, consultants and the regulatory authorities for their ongoing support.

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

5 March 2012

Chief Executive's Review

*Dear
Shareholder,*

Success is borne out of hard work, sound strategy and a good team. This combination has allowed us to deliver record earnings, surpassing all previous years. In achieving this, we have grown the value of Boustead Holdings Berhad not only from a balance sheet perspective but equally important, from a strong value creation as well.





The Group is a keen contributor to the Malaysian economy and a proud owner of Malaysia's first and only Islamic plantations REIT known as the Al-Hadharah Boustead REIT. This year, we became the owners of the largest integrated pharmaceutical entity in Malaysia known as Pharmaniaga Berhad. To add to this, we have a string of investments in brands and companies that are leading in their respective categories and are exceptionally popular.

FINANCIAL PERFORMANCE

A company is only as good as its financial track record. We are committed to ensuring that we achieve and do our best to surpass our previous performances. The year 2011 will go down in the annals of our corporate history due to the record profit that was achieved. We grew this profit on the back of a turnover of RM8.6 billion, representing a noteworthy increase of 38% compared with last year's RM6.2 billion. I would like to point out that this is our highest revenue achievement to date in the history of the Boustead Group. Furthermore, we have experienced three consecutive years of growth in revenue. On the same score, we have delivered three consecutive years of growth in profit before tax.

Further to these outstanding results, we surpassed all our key performance indicators for Government-Linked Companies as indicated below:

KPI	Actual	Target
Return on Equity	14.1%	12%
Return on Asset	9.4%	9%
Dividend	39 sen	30 sen

We are ever so mindful of our obligation to our varied shareholders, both institutional and the host of retail investors who have been with us for many years. Our most visible demonstration of our gratitude to our shareholders during the financial year and may we add, the previous years, has been our constant and improving dividend payout ratio. As you will note, our payout has been nothing less than exceptional.

Chief Executive's Review



We instituted a dividend policy in the previous financial year. The policy was based on a minimum payout ratio of 70% of our net profit for the year after taking into account appropriate adjustments for non-cash flow items such as our share of profits retained by our associated companies and unrealised income which may arise from fair value adjustments. Indeed, with our payout ratio of 94%, we surpassed the threshold by more than a long shot. Coupled with this, we also rewarded Boustead shareholders with a bonus issue whereby for every 10 Boustead shares held they were given one bonus share.

The Boustead Group with its diverse investments and businesses has always been committed to improving shareholder value and the increased payment of dividends validates this corporate philosophy of ours. As I have indicated countless times, we are able to do this because of our vast and sprawling investments. If not for this range of contribution from various businesses, we would not have been able to realise a significant increase in our revenue, followed by our profits and subsequently, our dividend yields.

In tandem with this growth, we have seen movement in our gearing ratio to 1.1 times compared with 0.75 times in the last financial year. As keen professional managers who are passionate on delivering results, we are focused that our balance sheet is not a lazy one, but one that is working hard for the Group. After all, with sturdy increases in profits and revenue, a commensurable level of gearing is welcomed. This gearing was very much due to our new acquisitions that took place during the financial year.

Before you browse through our Divisional write ups, I am pleased to inform that almost all Divisions delivered over and above our expectations. Leading the way was our Plantation Division. Robust crude palm oil prices coupled with an excellent pricing strategy have given us a marked increase in commodity prices, surpassing last year's high by 25%.

Our Property Division was the second largest contributor for the year, delivering an increase in profit of 52%. An evident factor for this contribution was fair value gains. It is important that our shareholders appreciate the enormous investments we have ploughed into our various developments and property assets. It is because of this investment over the last few years that we now hold a valuable stable of land bank and properties which have generated impactful fair value gains.



The emphasis we have placed in the Trading and Manufacturing Division over the years has resulted in a major contribution to the Group's bottom line. Our investment in Boustead Petroleum has been the significant driver and though from a Group perspective, the contribution by other business units in this Division may not be sizeable, we have seen during the year, marked improvements from smaller units such as Boustead Travel, Boustead Engineering and others.

After barely nine months, our latest Division has delivered very pleasing results and we are convinced that the Pharmaceutical Division will become one of our leading contributors in the coming financial years. In this short span of time, we have improved management practises ensuring that the needs of our most important client, the Ministry of Health (MOH), are given the utmost priority while undertaking a rejuvenation of our manufacturing practices.

This year, our Heavy Industries Division was impacted by the struggling maritime sector and the time lag in securing its most important contract, which is the construction of the new vessels for its key client.

The Finance and Investment Division is unique by its nature as within this business stream, we consolidate investments for the Boustead Group while recognising contributions from specific business units. Our prized asset is most certainly Affin Holdings Berhad which has far exceeded our expectations by delivering record profits. I would like to add here that our smaller investments such as Cadbury Confectionery, Kao and University of Nottingham Malaysia Campus amongst others have delivered well.

CORPORATE INITIATIVES

We centered our attention on organic growth and non-organic growth, given that we have a strong balance sheet coupled with equally strong shareholders' funds. This year we saw the successful completion of our acquisition of Pharmaniaga Berhad. With the condition precedent being met in terms of the Concession Agreement with the MOH, our controlling stake in Pharmaniaga resulted in a direct positive impact to our bottom line.



In an effort to ensure that Pharmaniaga remains listed on Bursa, we undertook a unique programme to pare down our stake whereby we offered a dividend-in-specie of Pharmaniaga shares held by BHB to shareholders of the Company; a restricted offer for sale of Pharmaniaga shares held by BHB to all shareholders of the Company excluding Lembaga Tabung Angkatan Tentera (LTAT) and a divestment of Pharmaniaga shares held by BHB to LTAT, BHB Directors and employees as well as identified investors. With these measures, the public spread of Pharmaniaga has improved from a meager 2% to 17%.

Our Group is a firm believer in aligning its business streams and in light of this, we saw the successful disposal of Idaman Pharma Manufacturing Sdn Bhd to Pharmaniaga. This corporate exercise will allow us to expand, streamline and optimise our manufacturing operations in addition to cost improvements. We will benefit from the interchange of best practices between our two subsidiaries.

We completed our acquisition of MHS Aviation Berhad and undertook a six-month restructuring of this business unit to improve its operational efficiency and corporate structure.

It has been a busy year for us as we successfully completed the acquisition and restructuring of our new businesses. In addition, we injected further assets into the Al-Hadharah Boustead REIT and I am pleased to inform that the unitholders have enjoyed a significant increase in capital appreciation.

OUTLOOK

We are not oblivious to the fact that the Group does not operate in isolation. External factors that will impact our nation, particularly global ones such as economic conditions in the European Union, the frail health of the United States economy, the slightly muted growth in the engines of Asia, China and India will have an impact on the domestic economy. In identifying these factors, we are resolute in our focus to work harder and perform.

The Divisions should maintain a level of growth, of course driving this would be commodity prices as we are confident that CPO prices will remain stable if not outpace this year's high. The Property Division should see improved growth as we plan new launches and look forward to the opening of Royale Bintang Damansara in Mutiara Damansara. The Trading and Manufacturing Division



should see sustained growth driven primarily by Boustead Petroleum as we embark on strategic network expansion and focus on margin optimisation and cost control. As for oil price volatility, we expect prices to trade within a reasonable band without adverse fluctuations. We are confident that our Pharmaceutical Division will perform well, particularly given our nation's growing need to meet the rising occurrence of chronic diseases.

We expect to see positive growth in our Heavy Industries Division as we undertake the construction of six Second Generation Patrol Vessels (SGPV) for the Royal Malaysian Navy. The degree of planning and designing required for these vessels will be more advanced and we look forward to propelling the level of local content as well as transfer of technology during this project. We expect MHS Aviation to contribute in the coming year following our restructuring exercise.

In the Finance and Investment Division, we are positive that the Affin Group will replicate its successes that it has achieved this year in terms of improving deposits, managing its non-performing loans and growing its retail and investment banking businesses.

We are heartened that our efforts have delivered results this financial year and are mindful of our earnings visibility as we move into 2012. There may be uncharted waters in terms of the uncertain global economic scenario and this will be fraught with challenges. I am glad to inform you that the Boustead Group thrives on adversity, hence rest assured dear shareholders, we will work hard for you with the objective of delivering shareholder value.

For this financial year, in the following pages we have provided you with a detailed assessment of our efforts during the year. We hope you will find it informative as we build on these factors for the coming year.

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

5 March 2012

P LANTATION



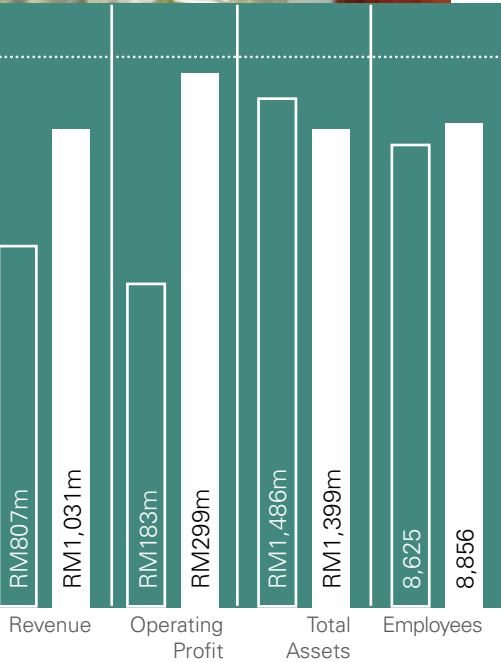
PERFORMANCE

This Division achieved an exceedingly strong profit of RM299 million, clearly surpassing last year's profit of RM183 million, representing a substantial 63% increase. The principal driver for these results was robust crude palm oil (CPO) prices which registered an average of RM3,272 per metric tonne (MT), 25% higher than RM2,622 in 2010 and 17% higher than the previous historical high of RM2,794 achieved in 2008. The average palm kernel price jumped significantly by 35% to RM2,195 per MT (2010: RM1,625).

DIVISION



Financial Highlights



PROFIT
RM299 mil
compared with
RM183 million a year ago

MARKET REVIEW

After hitting a high of RM3,950 in February 2011, CPO prices subsequently dropped steadily to a low of RM2,800 in October. This was as a result of higher than expected production which did not meet with corresponding export growth, resulting in high stock build-up and selling pressure.

Key external factors negatively impacted CPO prices, including the strengthening of the US dollar as well as the emergence of the Eurozone debt crisis and the resulting slowdown in the global economy.

Fortunately, the year ended on a strong note for the palm oil industry and prices saw a modest recovery to RM3,250 in December. Brent crude oil played a pertinent role in the movement of CPO, as prices for this hydrocarbon ran from USD94 at the start of 2011 to USD108 at the end of the year due to tightening oil supply concerns following the geopolitical crisis in the Middle East.

ESTATES AND MILLS

The Group operates a total land bank of 96,393 hectares (ha). The land held under the Al-Hadharah Boustead REIT increased from 16,390 to 19,945 ha following the injection of the TRP and Sutera estates, while plantations held under the sale and leaseback arrangement with Golden Crop Returns Berhad (GCRB) remained at 28,928 ha.

Area under oil palm cultivation stands at 74,184 ha. This comprises 67,913 ha of mature fields and 6,271 ha of immature fields while the remaining areas are unplanted. Our prime mature areas of 60,730 ha were reduced by 593 ha from the previous year's 61,323 ha.

Fresh fruit bunches (FFB) production was 1,121,629 MT, a 5% increase compared with 1,070,455 MT last year. This was due to the consistent performance of our prime areas of mature estates with an average of 21.3 MT per ha, as well as an improvement in yields from our Sarawak and Indonesian estates. The overall average yield was 16.5 MT per ha compared with 15.8 MT for the previous year, with Peninsula Malaysia driving the highest yield averaging 20.2 MT per ha. The yield for the first quarter was impacted by inclement weather as a result of La Nina, coupled with high labour turnover and shortage of skilled workers. Improved weather conditions in the second quarter led to higher yields but dipped again in July and August before recovering in the last quarter of 2011.

Increase of
63% in profit

Boustead Holdings Berhad 2011 annual report



Our eleven mills have a combined milling capacity of 415 tonnes per hour. Total FFB processed for the year was 1,220,000 MT (2010: 1,156,000 MT), while the average oil extraction rate (OER) was 20.3% (2010: 20.5%) and average kernel extraction rate was 4.9% (2010: 4.7%).

The cost of FFB production was RM261 per MT, an increase from last year's RM238 per MT. Operating costs rose on account of a number of factors, including the upward trend of fertiliser prices from the onset of 2011. There were increases in labour and materials cost, as well as initiatives undertaken to upgrade road conditions at our estates.

As part of our efforts to reduce operating costs and enhance yields, the Division adopted suitable precision farming techniques, such as the BAARMIS Map Management System which aims to optimise input on the management of field upkeep and crop evacuation. In order to ease labour shortages, boost productivity and manage labour cost escalations in our harvesting operations, particularly for taller oil palms, the Group is set to extend the utilisation of the 'Cantas' mechanical harvesting tool in the coming year.

Efforts are also being made to mitigate the effect of labour shortages on our field upkeep operations via wider utilisation of mechanical fertiliser spreaders for manuring and the adoption of more efficient Controlled Droplet Applicators and power sprayers for better control of weeds, pests and diseases. In addition, the Division will extend the use of crawler-type farm tractors to evacuate FFB, particularly from peat areas.



To streamline the operations and management control of our palm oil mills, we are upgrading the computerised weighbridge systems to integrate with our marketing systems in the coming year. This is expected to enhance the monitoring of palm oil and palm kernel deliveries from the mills as well as billing and payments from buyers.

In terms of new prospects, the Group Engineering Department has secured new contracts to provide palm oil milling consultancy services to third parties. Besides consulting for the construction of two new oil mills in Sabah and Sarawak and consulting on upgrading work for three existing mills, we are also providing visiting services for external mills.

The Boustead Group is firmly committed to the application of sustainable practices. We are proud to report that the Sungai Jernih Business Unit was accredited with RSPO certification for sustainable palm oil production in September 2011. This represents the first RSPO accreditation for us.

RESEARCH AND DEVELOPMENT

We are aware that this Division's productivity hinges on research and development (R&D) and our efforts in this area will ensure that we continue to progress. The Group's research associate company, Applied Agricultural Resources Sdn Bhd (AAR) expanded the seed production capacity of AA Hybrids to eight million seeds and AA Vitroa (tissue culture) planting materials to 0.6 million ramets. The novel commercial traits found in AAR planting materials are its uniformity, small stature and slow height increment.

The AAR-UNMC Biotechnology Centre successfully developed a methodology to identify a wide range of microbes in agricultural fields. Using this technique, we are now capable of providing a new commercial service of microbe identification and enumeration for the public.

To safeguard our planting materials from our competitors, the Biotechnology Centre has identified suitable single sequence repeats and other types of markers to fingerprint the genetic DNA of these planting materials and protect our intellectual property rights.



Boustead Holdings Berhad 2011 annual report

OUTLOOK

After trading in a wide price range between RM2,800 to RM3,950 in 2011, we expect that CPO prices are more likely to moderate to a narrower trading range at between RM2,750 to RM3,250. Industry experts have predicted a slowdown in CPO production as world palm oil production cannot continue producing at above-average yield seen during April to December 2011.

We expect Malaysian production to stagnate at around 18.9 million MT, while Indonesia's production is expected to increase by 1.5 million MT to 25 million MT. In addition, a possible resurgence of the La Nina weather phenomenon could stall harvesting rounds and result in poor pollination.

Besides, soybean, corn and rapeseed oil supplies may decline in 2012 due to ambitious biofuel mandates in Argentina, Brazil and the US, swallowing up about 22 million MT of vegetable oils globally for biofuel at a time when palm oil production slows from a bumper crop in 2011. This will benefit palm oil as end users seek lower cost

alternatives to soy and rapeseed oils. Moreover, as vegetable oils have become increasingly correlated to crude fuel oil prices in recent years, this link to the energy markets will give potential for a steady price upside in 2012.

There are also concerns that crude mineral oil will be affected by the turbulent global economic climate, which will in turn have a negative global impact on palm oil prices. An expected decrease in CPO production during the rainy season may also temporarily boost CPO prices over crude oil.

We are cognisant of investors' concerns that the Eurozone and US debt crisis may develop into a full-blown economic recession and slow commodity demand will continue to exert extreme market volatility in the coming months.

However, we are of the view that global palm oil demand is largely being driven by consumption in China and India, where we see a relatively smaller risk of economic slowdown in these countries in 2012. Disposable income is rising and consumption growth will progress in the coming years. India could face a shortage in imported CPO, as Indonesia has slashed its export duties in favour of refined palm oils but does not have the refining capacity to meet India's monthly demand of around 600,000 tonnes. Food price inflation has begun to decline in China and demand for palm oil is likely to rebound.

Despite the current global economic uncertainty, we are confident that CPO prices will be sufficiently buoyed and demand is expected to remain steady in 2012. We are certain that this Division will continue to perform well and will remain committed to improving our yields and delivering further growth.



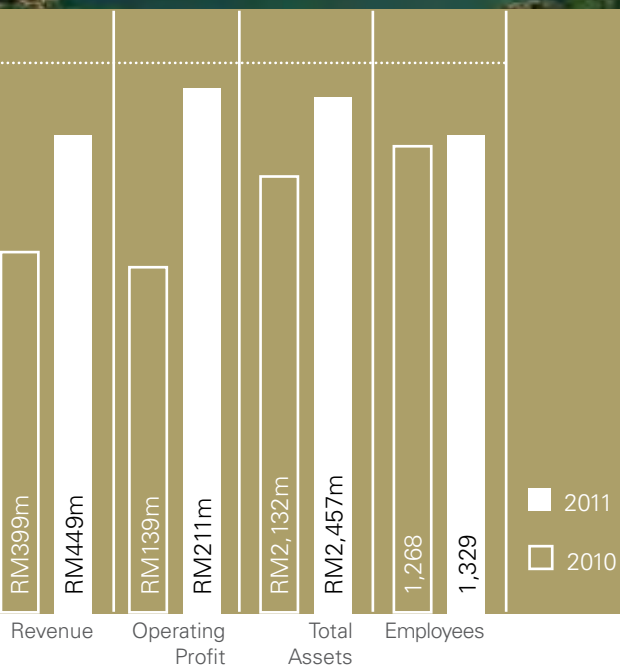
Despite volatile global economic conditions impacting Malaysia's property sector, the Property Division benefited from strong confidence in the local market registering a profit of RM211 million, an increase of 52% over last year. The key factors contributing to this year's profitability were fair value gains amounting to RM112 million and higher rental income generated by our investment properties.

DIVISION

Boustead Holdings Berhad 2011 annual report



Financial Highlights



PROFIT **RM211**mil
compared with
RM139 million a year ago

PROPERTY INVESTMENT

The segment performed well, achieving a RM156 million profit for the year, an impressive 73% increase from last year's RM90 million. The impact of fair value gain was a result of the Division's long-term view in terms of a combination of factors, namely proper town planning, good infrastructure, strong human capital development and active business partnership with tenants and retailers.

Our office buildings in the Golden Triangle of Kuala Lumpur registered strong tenancies, complemented by our landed residential properties, high-end condominiums and warehouses. Our retail investment properties, the Curve and e@Curve are well patronised and are virtually fully tenanted whilst continuously ensuring timely changes in the tenant mix to refresh the malls.

The malls continue to draw a strong following especially during weekends where a spread of attractive themed décor, promotional programmes and family entertainment combined with shopping and dining options guarantee our visitors a pleasant experience. Centre Court events such as Fashion Week and the annual CIMB Malaysian Open Squash Championships coupled with BHPetrol Orange Run, the traditional New Year's Eve Street Party and majestic fireworks display are among the many attractions that draw large crowds to the Curve every year.

On the other hand, e@Curve has attracted more retailers and these include the world-famous Din Tai Fung Restaurant, Subway, Hot & Roll, Columbia, Northface, Reflection by Rhapsody and Celcom Blue Cube. Major events held at e@Curve proved to be veritable crowd pullers such as Astro Battleground, MTV World Stage Roadshow and the Happy Feet2 Dance Competition and Baazar.

We completed the seven-storey Curve NX car park building during the year. This latest building houses McDonald's 13,600 square feet double storey new Drive-Thru Restaurant and KidZania Kuala Lumpur.

The Curve NX is a strategic building with a view to dispersing traffic flow and offering shoppers additional parking facilities as it houses 600 car park bays and is linked to the Curve via an overhead pedestrian bridge.

Increase of
52% in profit

Boustead Holdings Berhad 2011 annual report



Surian Residences under construction

We have enhanced the appeal of both the Curve and e@Curve via the construction of additional linkages between these two shopping malls by way of a second overhead bridge as well as a second covered pedestrian walkway between these malls.

The relocation of an escalator unit from e@Curve to the Curve's 'Street' area, which was completed in June 2011, provides shoppers with ease of access to food and beverage outlets on the first floor of the Curve.

PROPERTY DEVELOPMENT

Property development activities registered a profit of RM49 million, a marginal decline from last year's RM50 million. On-going and new launches in Mutiara Damansara and Mutiara Hills, both in Selangor and Taman Mutiara Rini, Johor, were the key drivers for this year.

Launched in July 2010, Surian Residences, the 311-unit condominium project in Mutiara Damansara is substantially completed with all units being fully taken up.

In Johor, we received encouraging response from homebuyers and investors. During the year, 489 units of terrace and 38 semi-detached houses were launched whilst 191 units of double storey terrace and 12 semi-detached houses were completed and handed over.



Taman Mutiara Rini in Johor, clearly appealing to urbanites, is currently registering strong capital appreciation. When Mutiara Rini first launched its range of double-storey terrace houses, 22ft x 70ft in 1996, the selling price was RM243,000. Today, a similar unit can be sold at RM388,000, a notable 60% increase and a reflection of our popular following in Johor.

In the Klang Valley, Mutiara Hills in Semenyih has seen a steadily growing demand for the landed homestead lots leaving only nine out of the 33 lots that were launched in 2010 still available.

HOTELS

Our four-star hotels, The Royale Bintang Curve and The Royale Bintang Kuala Lumpur enjoy occupancies in excess of 90% and 80% respectively. Our five-star 400-room The Royale Chulan Hotel is highly sought-after for prominent events and during the year, it achieved numerous awards and accolades in the hospitality sector. The Royale Bintang Resort & Spa in Seremban is gaining popularity amongst major corporations as a getaway destination for corporate team-building programmes and brainstorming sessions.

The latest addition to our hotels segment will be The Royale Bintang Damansara, the only hotel in the country with an ice-skating rink. Located in Mutiara Damansara, and connected via covered walkways to the Curve, e@Curve and Surian Tower, its ballroom will have a seating capacity of 1,000 and is large enough to host weddings and major conventions. This 400-room new hotel will take up the excess demand for hotel rooms in this vicinity. The added attraction of 13 suites comprising two, three and four-room suites will make this hotel family-friendly, especially for tourists travelling with small children.

Work on our Royale Bintang Penang Hotel is progressing well and this scaled down 5-storey 4-star hotel will now have 180 rooms when completed in 2013. Meanwhile, we are also busy with the redevelopment of our Cherating resort and spa and we plan to build 190 rooms on this beachfront site.



OUTLOOK

As we look towards 2012, we are confident that organic growth will drive this Division. We are continuously on the lookout for prime land bank that we can add value to, be it property or retail development.

We are aware of our role as a Government-Linked company in the Government's Economic Transformation Programme and as providers of employment via our property development projects, retail malls and hotels.

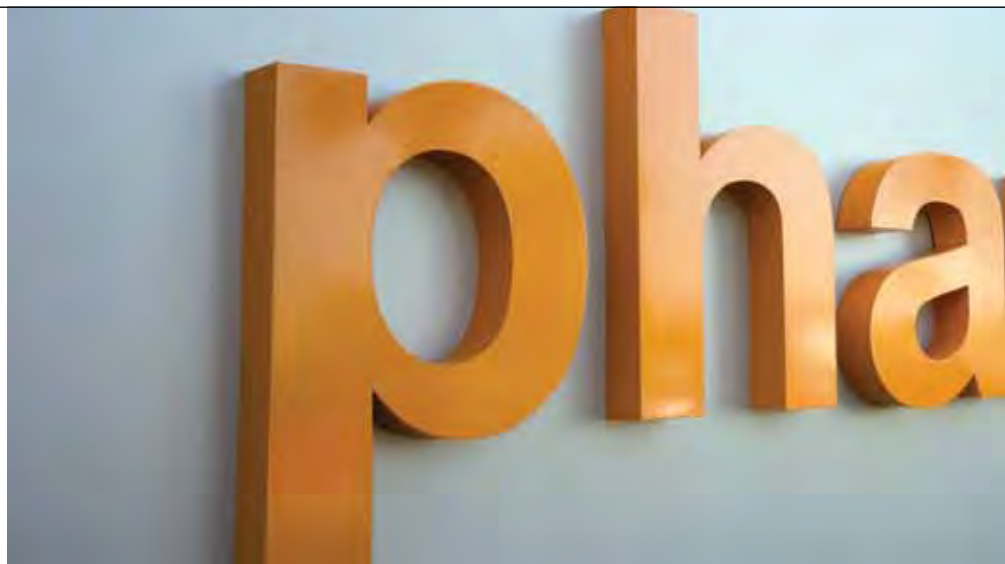
Thus, we are constantly enhancing the value of our properties where possible through improvements in infrastructure, additional physical linkages, building up our human capital and helping to move the nation towards developed status by 2020.

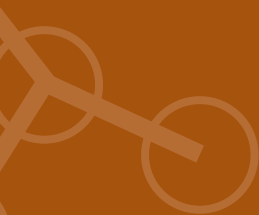
KidZania Kuala Lumpur, an award winning indoor theme park in Mutiara Damansara, opened its doors in February 2012. With this, we anticipate higher footfall to the Curve and e@Curve and this will augur well for The Royale Bintang Curve and The Royale Bintang Damansara hotels.

The completion of The Royale Bintang Damansara Hotel in 2012, will boost occupancy rates and meet the increasing demand for hotel rooms.

The strong domestic demand for well located and good quality landed properties as well as the cooperation and continuous support from shoppers, tourists and tenants will augur well for us and we are certain that the Division will deliver on its tagline of 'Setting the Pace'.

PHARMACEUTICAL





D I V I S I O N

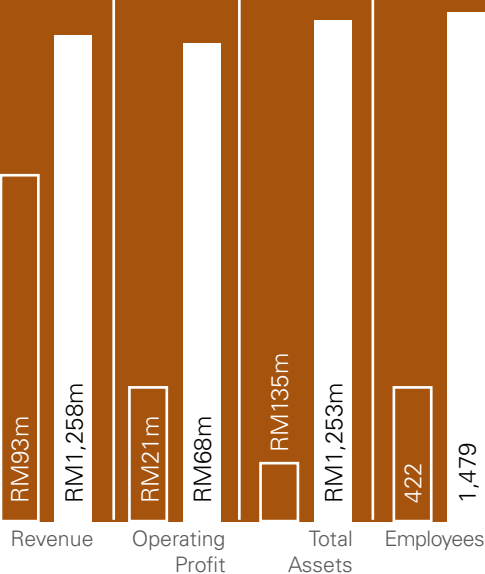
The year 2011 marked the introduction of the Pharmaceutical Division to the Boustead Group, driven by Pharmaniaga Berhad (Pharmaniaga) and Idaman Pharma Manufacturing Sdn Bhd (IPMSB). We took management control of Pharmaniaga for the last nine months from April 2011 and we were able to generate a profit of RM51 million, while for the 12 month period Pharmaniaga generated a profit of RM73 million compared with last year's profit of RM45 million.

IPMSB recorded an improved profit of RM40 million compared with RM21 million in the previous year. Collectively, the Division registered a profit of RM68 million after taking into consideration interest costs and amortisation at Group level.

Boustead Holdings Berhad 2011 annual report



Financial Highlights



■ 2011
■ 2010

PROFIT
RM68 mil

compared with
RM21 million a year ago

LOGISTICS AND DISTRIBUTION

The Division's primary earner saw a boost in profit amounting to RM81 million (2010: RM32 million) due to increased sales to the Ministry of Health (MOH). The MOH concession revenue rose to RM903 million compared with RM804 million in the previous year.

Upon the signing of the Concession Agreement (CA) with the MOH, the final condition precedent was met and as a result we took control of Pharmaniaga in April 2011. We are indeed encouraged by the Government's vote of confidence. The renewal of our services to purchase, store, supply and distribute approved drugs and medical products to Government hospitals was a significant milestone. With the new CA signed we have a long term view on how we will be able to grow this business further. We are conscious of the fact that this is our key revenue generator and as such, we have undertaken great effort to deliver above and beyond the expectations of the MOH.

A key new aspect of the CA is the implementation of the Pharmacy Information System (PhIS) at 148 Government hospitals and the Clinic Pharmacy Information System at over 1,400 clinics and district offices nationwide. This new system will enhance the service capabilities of pharmacies by streamlining knowledge sharing across hospitals and clinics on patient medication and inpatient and outpatient pharmacy services. We have secured technical know-how via a RM72.8 million project agreement with Dataware Sdn Bhd to develop as well as put into operation as part of the PhIS for effective data management.

We are aware of the need to maintain a modern warehousing infrastructure in order to keep pace with market expectations and meet the medical needs of the country. The cold room capacity of our facilities have been expanded and the generator sets have been upgraded to handle the growing volume of items requiring chilled storage.

Another feat that we owe to the commitment of the new team to surpass the expectations of our clientele was the accomplishment of 'zero backorder' in September which essentially saw us fulfilling all orders within seven working days.

Following through on the management's efforts to improve the operations of this Division, we were able to meet with good ratings on all 13 aspects of the Good Distribution Practice (GDP) requirements by the National Pharmaceutical Control Bureau.

PT Millennium Pharmacon International Tbk (MPI), our distribution arm in Indonesia recorded a good year with its sales up by 16% to RM336 million. This turnaround was registered on the back of a

Increase of
223% in profit

Boustead Holdings Berhad 2011 annual report



setback in 2010 where we lost a major principal. To date, MPI has 29 branches throughout Indonesia, three pooling warehouses and presently serves 24 principals nationwide.

MANUFACTURING

We are glad to report that there was no revocation of our license at any of our plants, unlike the previous financial year. The Division has maintained a rigorous internal monitoring of its plants to ensure it complies with the standards set by the MOH.

We have set up a new and independent support team to establish compliance at all levels of our operations. The team conducts routine Good Manufacturing Practice audits at our four manufacturing plants located in Bangi, Puchong, Sungai Petani and Iskandar in Perak, as well as at our contract manufacturers. We have also taken the lead to educate our internal and external teams on legislations pertaining to standards stipulated by the MOH.

With the manufacturing facilities of Boustead's former subsidiary Idaman Pharma Manufacturing Sdn Bhd now absorbed into Pharmaniaga, we expect the Division to benefit from cost improvements as a result of the streamlining and optimisation of manufacturing facilities, production capacities as well as the interchange of best practices.

Pharmaniaga LifeScience in Puchong, a manufacturing facility for the production of injectable medicines commenced commercial production in January 2011. Over the years, RM150 million have been invested in this state-of-the-art facility, which has the capacity to manufacture 35 million ampoules and vials per year and is set to attract international contracts from multinational pharmaceutical and biotechnology companies.



RESEARCH AND DEVELOPMENT

Being a healthcare Division, research and development (R&D) is at the core of our efforts to improve greater product efficacy which will meet with stronger acceptance from our key clientele.

Our quality control and R&D laboratories are accredited with the ISO/IEC 17025 Laboratory Accreditation Scheme. We have progressed into new spheres of biotechnology including biogenerics.

The field of Traditional Complementary Medicine has great prospects in Malaysia. We are working on tapping this potential with the right R&D and marketing in adherence to international standards. Collaborations are underway with the Government to develop and commercialise local herbal products such as 'Kacip Fatimah', a phytomedicine or botanical drug.

OUTLOOK

With the nation's well-being directly linked to the accessibility of quality healthcare, the Government is focused on improving public healthcare services. This is evident given the Government's 2012 Budget announcement where RM15.2 billion has been allocated for the construction and upgrading of hospitals, increasing the number of doctors and nurses as well as for the supply of medicine and equipment.

As an integral component of the healthcare sector in Malaysia, the pharmaceutical industry has high growth potential both in domestic and export markets in view of its present strength in the production of generic drugs. Pharmaniaga will be able to capitalise on this given its stable of more than 500 generic drugs registered with the Drug Control Authority of MOH.

Our plans for our logistics and distribution arm in 2012 would be to focus on the expansion of our warehousing facilities as well as the continuous engagement of our suppliers and transporters in order to ensure delivery service excellence. We will also expand our international reach in Vietnam, Myanmar, Singapore, Hong Kong, Sri Lanka, Brunei and the Philippines.



Boustead Holdings Berhad 2011 annual report



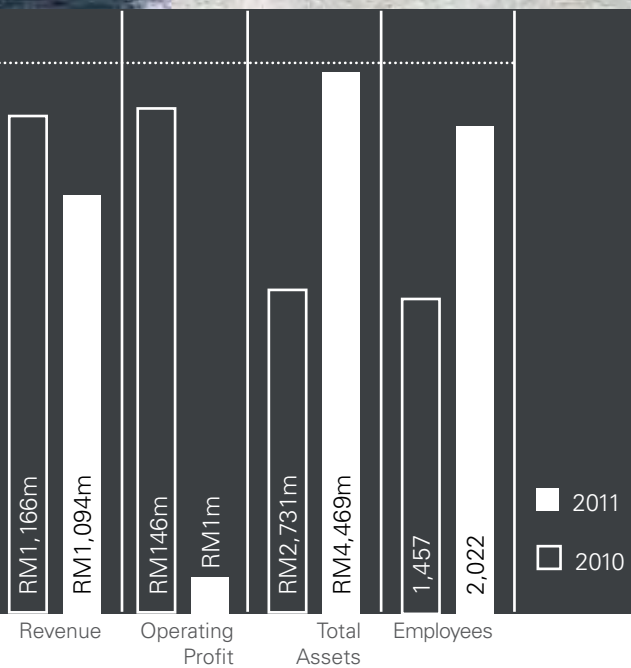
Our Manufacturing Unit will be anchored by the ongoing projects which are expected to further improve the capacity and efficiency of our manufacturing plants. For our Pharmaniaga LifeScience manufacturing facility, we aim to seek EU certification to implement a project to install the technology to meet the rising sales forecast for cartridges and pre-filled syringes.

As for our R&D Unit, we are optimistic about the response for our future product launches and have identified 75 new high potential products to be launched. Our new product lines include anti-diabetic and cardiovascular drugs. It is our mission to facilitate in improving human health via world-class medical research. In order to achieve this, we support research across the biomedical spectrum in partnership with the MOH.

HEAVY INDUSTRIES



Financial Highlights



D I V I S I O N

The global economic climate impacted the Division due to the struggling maritime sector, which had an effect on our shipbuilding, oil and gas and chartering businesses.

The Division registered a modest profit of RM1.3 million compared with last year's profit of RM146 million. This was due to cost escalations in commercial shipbuilding projects and higher finance charges. Our primary vehicles that drove this Division were Boustead Naval Shipyard Sdn Bhd (BN Shipyard), followed by Boustead Heavy Industries Corporation Berhad (BHIC) and MHS Aviation Berhad (MHS).

Boustead Holdings Berhad 2011 annual report





SHIPBUILDING – NAVAL

With the completion and delivery of the first six offshore patrol vessels to the Royal Malaysian Navy (RMN) and having set a benchmark, we are glad to have been awarded the contract to construct six SGPVs. These vessels being full combatant ships will require more advanced and complex planning and designing of its weapon systems. The level of local content is expected to be higher and we are pleased to drive the transfer of technology (ToT).

With a view to ensuring that planning for this significant project is put in place early, we organised an industrial briefing in Lumut, where vendors and suppliers gathered with the intention of achieving greater local content when we undertake the construction of the SGPVs. This included possible procurement of services and material from Malaysian companies with the hope to see a multiplier effect for the domestic maritime economy.

We successfully delivered three interceptor crafts to the Malaysian Maritime Enforcement Agency. These crafts are currently deployed in the Straits of Malacca for anti-smuggling, search and rescue and pollution control missions. In an effort to ensure ToT, fifteen staff from BYO Marine Sdn Bhd the project's joint venture partner, undertook training programmes in Istanbul, Turkey. With this, we hope to be able to see the construction of more interceptor crafts locally.

SHIPBUILDING – COMMERCIAL

At the start of the year under review, the Division decided to take ownership of three chemical tankers it built for a client. These tankers have commenced chartering operations. Although current charter rates are dampened by the oversupply of tonnage, we believe that in the medium to long term opportunities may beckon for this line of business.

Our Jerejak Yard remained active during the year with the completion of two 67.8 metre anchor handling tug supply vessels equipped with DP2 setups and ABS classified. All major packages for the accommodation barges are at their final stages of completion.

In June 2011, Macduff Ship Design (Macduff) and BHIC entered into a partnership for two years where BHIC will be the shipbuilder, while Macduff provides the design for the vessels and when required, provides project management supervision. This partnership will cover a complete range of commercial tugs, workboats, Multi Mac's, pilot vessels and general harbour support craft. We are confident that with this partnership, BHIC will be able to expand its reach in the South East Asian region.

MAINTENANCE AND SUPPORT SERVICES

We are pleased to report the successful handing over of four ships, KD JEBAT, KD GANYANG, KD MAHAWANGSA and KD LAKSAMANA MOHAMED AMIN to the RMN after the completion of their refit programmes. The ongoing Service Life Extension Programme performed on two corvettes KD KASTURI and KD LEKIR significantly contributed to our revenue. The in-service support provided to the RMN's submarines are progressing satisfactorily.



Boustead Holdings Berhad 2011 annual report

During the 11th Langkawi International Maritime and Aerospace Exhibition 2011 (LIMA), BN Shipyard successfully inked a three year RM62 million contract with the Government to supply and deliver spares, maintenance, integrated logistic support and training for the 17th patrol vessel squadron of the RMN.

Additionally, BHIC Aeroservices Sdn Bhd, the joint venture company established with Prestige Pillar Sdn Bhd and Eurocopter Malaysia Sdn Bhd applied for new category code registration with the Ministry of Finance to qualify for securing maintenance, repair and overhaul (MRO) work for rotary and fixed wing aircraft from the Government. The company has set up a temporary facility at Terminal 3, Subang Skypark whilst a permanent MRO Centre is being developed in the new Subang Helicopter Centre.

MANUFACTURING AND SERVICES

This segment of our business has had a fruitful year with many new agreements in place. As one of the primary solution providers in the nation for the maritime sector, we have indeed made significant progress.

Contraves Advanced Devices Sdn Bhd (Contraves) remained strong as it profited from sales in other relatively stable markets. With the manufacturing licensing agreement in place with Raytheon as its contract manufacturer, Contraves is looking forward to fulfilling its capacity requirements.



During LIMA, Contraves entered into an agreement with Rheinmetall Defence Electronics GmbH of Germany to manufacture their Airbus A400M Cargo Loading System electronic sub-assemblies. A comprehensive technology transfer programme and investment in new state-of-the-art facilities for aerospace electronics manufacturing is the foundation of this agreement. The partnership is expected to transform Contraves into a diversified, high value manufacturer and integrator of aerospace and defence electronics.

BHIC Defence Technologies Sdn Bhd has signed a joint venture and shareholders agreement with Prokhas Managers Sdn Bhd, owned by the Ministry of Finance resulting in the incorporation of Pyrotechnical Ordinance Malaysia Sdn Bhd. Double-based artillery and rocket propellants will be manufactured and distributed to the local defence sector once the Bentong plant is operational.

MHS AVIATION BERHAD

The acquisition of the 51% equity stake in MHS was completed in June of this financial year. Over the last six months, we conducted a thorough review and embarked on a restructuring exercise to enhance our operations and ensure cost optimisation. Key measures undertaken were the comprehensive refinancing and asset utilisation assessment which led to significant financing and aircraft leasing cost savings. With these measures in place, we achieved the turnaround of this entity resulting in MHS delivering a satisfactory profit for the six months of operations under the Group's purview.

MHS entered into a contract with Eurocopter Malaysia Sdn Bhd to acquire five brand new EC225 heavy helicopters, two of which were delivered during the year. These crafts will provide support to the oil and gas industry at Kerteh and will contribute significantly to MHS' revenue. This ten year contract which began in April 2011 jointly supports Petronas Carigali Sdn Bhd, ExxonMobil Explorations and Production Malaysia Inc and Newfield Peninsula Malaysia Inc.

MHS also commenced a three year contract with Bluewater Energy Services BV where it will provide two Eurocopter AS332L2 Super Puma heavy helicopters in Dili, Timor Leste. This contract complements MHS' other international operations in Mauritania, West Africa.



ATLAS HALL SDN BHD

This company which focuses on the upstream oil and gas and engineering sectors concentrates on marketing and selling of products that provide total solutions for offshore oil and gas and production industries. It is also undertaking new business opportunities in the oil field services and equipment industry.

OUTLOOK

The Division is expected to register positive growth in the coming financial year. However, the lack of competent and experienced talent has been and is expected to remain a challenge. To overcome this constraint, we have embarked upon many initiatives including recruiting, training and developing our most valuable asset, as well as developing a comprehensive remuneration package for our performing human capital.



Boustead Holdings Berhad 2011 annual report

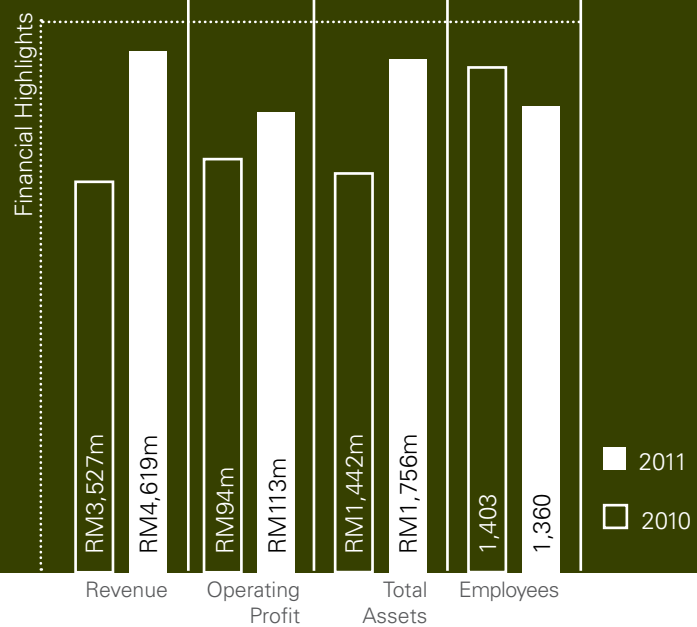
We look forward to completing the contract of delivering the remaining seven interceptor crafts for the Malaysian Maritime Enforcement Agency.

The highlight for the future will be the construction of the SGPVs. These new ships will have long range surveillance features including anti-surface, anti-air and anti-submarine warfare capabilities. Specifically, the SGPVs will be equipped with surface to air missiles, surface to surface missiles, torpedo launching systems, towed array sonar and surveillance radar.

These vessels are expected to be longer in length measuring 110m and it will be designed to sail at a maximum continuous speed of 28 knots in comparison with the last generation patrol vessels. Thus, the SGPVs require a higher capacity engine and propulsion system.

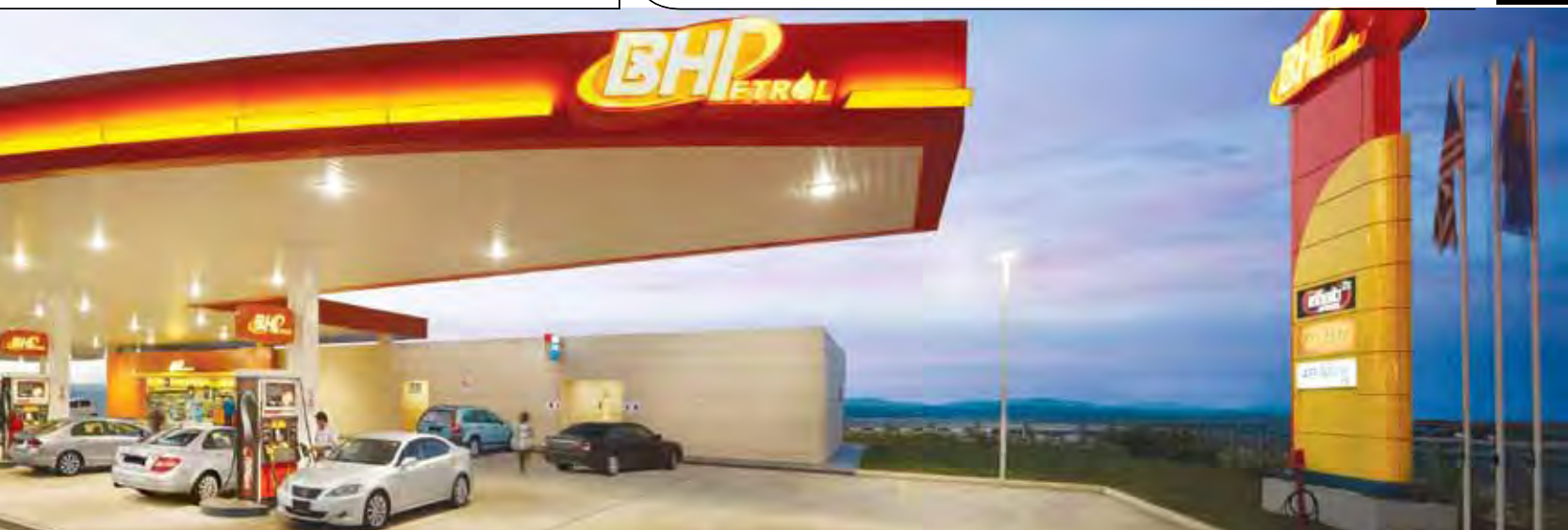
Many elements are being finalised with the project's various stakeholders. While we undertake detailed cost modelling in order to provide the best value for our client, we will also commence manpower and risk management analyses in relation to this significant project.

TRADING & MANUFACTURING



D I V I S I O N

Boustead Holdings Berhad 2011 annual report



This Division performed well for the year, delivering a profit of RM113 million, representing a 20% jump compared with RM94 million in 2010. This was due to the strong earnings generated by Boustead Petroleum Marketing Sdn Bhd.

PROFIT
RM 113 mil
compared with
RM94 million a year ago



Boustead Petroleum Marketing Sdn Bhd (BHPetrol) recorded a profit of RM95 million for the year under review (2010: RM72 million). Key factors were increased volumes from all product lines, stronger operating margins that were achieved through cost optimisation and improved operational efficiencies.

Brand building efforts in relation to our product leadership strategy were successfully undertaken as we focused on the quality of the German fuel additive that delivers superior performance for our customer base.

Coupled with this, creative advertising campaigns which proved a catalyst to reinforce brand presence and increase customer loyalty were run during the year. At the same time, we pursued a strategic and disciplined growth approach by expanding our retail network and upgrading existing stations. We completed nine new service stations and upgraded five existing ones as our investment strategy is to generate high capital efficiencies and improve long-term profitability.

Improved earnings were achieved in the liquefied petroleum gas segment by building on our strategic logistical facilities and implementing cost optimisation measures. In addition, steps were taken to enhance brand awareness for our range of Syngard lubricants. The business has shown increased profitability with a steady growth in sales volume.

The company organised the sixth consecutive annual BHPetrol Orange Run. For further elaboration on this, please refer to the Corporate Responsibility section of this report.

UAC Berhad (UAC) recorded a profit of RM14 million for the year under review despite challenging market dynamics. This listed entity saw positive growth for its export market, registering a 14% increase in sales volume driven by its signature product, the fibre cement system. However, revenue from export sales was impacted due to the strong Ringgit against the trading currencies. Locally, the level of demand remained constant and proved challenging with stiff competition from other local industry players. The company enjoys sustainable income with higher net income from Menara UAC which is almost fully tenanted.

With greater acceptance of industrialised building systems (IBS) in Malaysia and internationally, the UCO SolidWall System is making inroads into new projects in both residential and commercial sectors. The focus will be on expanding its reach in the African continent and the Middle East with the introduction of a new variation of the UCO SolidWall System in the coming financial year.

Increase of
20%
 in profit

In terms of manufacturing, a production line was shut down for six months in order to facilitate a major conversion of this line to produce a new product, which we plan to launch in the next financial year. This shut down and subsequent start up incurred additional non-recurring costs and coupled with lower sales revenue, this had a further impact on our bottom line for the year.

Boustead Travel Services Sdn Bhd performed well in 2011, reporting a 75% jump in profit. Corporate ticketing continued to be the main business segment during the year. This was further augmented by the launch of an online booking tool in order to simplify the booking process for corporate clients. The operating unit maintains its position as one of Malaysia's leading travel agents and will strive to improve and meet the varied needs of its clients.



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Boustead Shipping Agencies Sdn Bhd was impacted by reduced volume and low freight rates as a result of the depressed conditions in the global shipping industry. This had a direct impact on its bottom line and as a consequence, strong optimisation measures were undertaken which resulted in the closure of unprofitable branches.

Boustead Engineering Sdn Bhd reported positive results for the year, driven by its Mechanical Industry Supplies department which enjoyed steady sales from its key clientele contributing to a healthy order book.

Boustead Global Trade Network Sdn Bhd closed its stockist warehouse and logistics operations in the last quarter of the year, making its main thrust the general insurance business. As it moves into the new financial year, it is expected to remain profitable, providing its much-needed services to the Group as well as its associate companies.

Boustead Building Materials Sdn Bhd posted a reduced profit as a result of the overall market conditions. However, this was compensated by revenue from internal projects, particularly higher progress billing from the Royale Bintang Damansara Hotel.

Boustead Sissons Paints Sdn Bhd experienced a difficult year due to stiff competition from other paint manufacturers and skyrocketing raw material costs which had a direct impact on its results.

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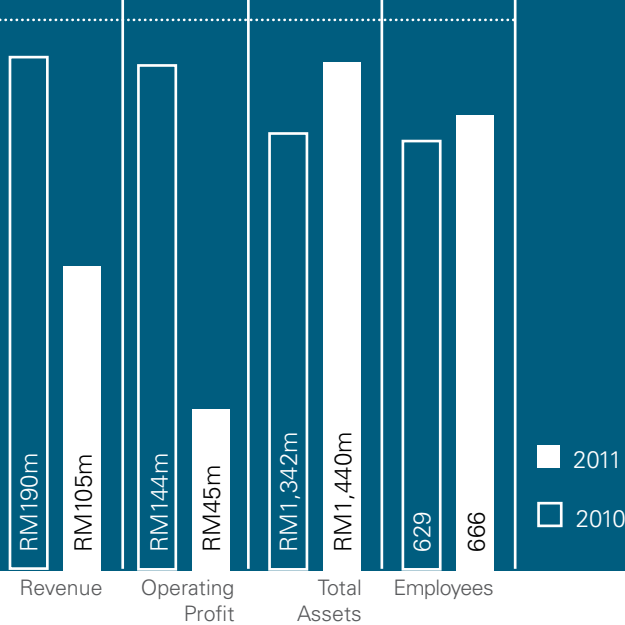
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FINANCE & INVESTMENT



Financial Highlights



DIVISION

Boustead Holdings Berhad 2011 annual report



The Division recorded a profit of RM45 million compared with RM144 million the previous year which included the gain on disposal of BH Insurance (M) Berhad amounting to RM75 million. This year saw the Group embarked on an acquisition trail, bringing Pharmaniaga Berhad and MHS Aviation into the fold. The interest cost of these acquisitions drove BHB's profitability down, however this was offset by improved contribution from Affin Holdings Berhad.



Affin Holdings Berhad's (Affin Group) registered a record profit before tax of RM709 million, an 11% rise compared with RM638 million in the previous year. Affin Group's contribution to the Boustead Group was an after tax profit of RM106 million, reflecting our 20% investment in this financial services group.

Affin Bank Berhad was the primary driver with improved earnings, delivering a profit before tax of RM613 million compared with RM522 million the previous year. The Bank's strong performance was due to a reduction in allowances for impairment of loans and securities as well as higher net interest income and Islamic banking income. This was buoyed by initiatives undertaken to encourage growth, including relocation of branches to strategic locations, targeted initiatives to improve deposits, loans and fee-based income along with stronger risk management practices.

Its subsidiary *Affin Islamic Bank Berhad* reported a strong profit before tax of RM75 million, a significant 61% increase compared with RM47 million in the previous year. This was due to sizeable growth in deposit taking and loan disbursements as a result of successful branding campaigns and the introduction of new products.

Affin Investment Bank Berhad (AIBB) registered a profit before tax of RM89 million compared with RM87 million the previous year. Investment income rose by 30% to RM24 million (2010: RM18 million), however this was offset by lower brokerage income due to a decline in average gross brokerage yields. Net impaired loan ratio improved to 0.75% and loan loss coverage stood at 133%.

During the year, AIBB expanded its presence in the retail market with the opening of two new branches. It also received regional recognition in the Wall Street Journal's Asia's Best Analysts Survey, which ranked AIBB as 21st in Asia's Best Brokers category.



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AIBB's subsidiary *Affin Fund Management Berhad (AFMB)* delivered a higher profit for the year, chiefly as a result of the net gain from the disposal of Affin Trust Management Berhad for RM3.8 million. AFMB also launched Affin Quantum Fund which boosted its total assets under management to RM855 million, an 11% increase from the previous year's RM770 million.

AXA AFFIN Life Insurance Berhad achieved a 26% growth in premiums amounting to RM97 million. However, it registered a loss for the year, mainly due to the investment made to expand the agency force, which grew by 68%. Bancassurance, another distribution platform, posted a 3% growth in new business premiums.

AXA AFFIN General Insurance Berhad reported a lower profit before tax of RM17 million (2010: RM44 million). During the year, streamlining efforts were undertaken following the merger with BH Insurance Malaysia Berhad. There were visible challenges which impacted staff, distributors, clients subsequently the business.

AFFIN Moneybrokers Sdn Bhd recorded a higher profit before tax of RM3.3 million compared with RM1.8 million in 2010 as a result of increased trading volume throughout the year.



University of Nottingham in Malaysia Sdn Bhd (UNMC) generated a respectable profit for the year. UNMC showed steady growth with an enrolment of 4,171 students from 3,790 last year. The highlight of the year was the launch of the Crops For the Future Research Centre, an international undertaking to explore underutilised crops. UNMC also made a number of enhancements to the facilities, installing new equipment in the science laboratories and establishing two new language laboratories. The sports facilities were upgraded with new playing fields and a gymnasium. Several new programmes were introduced during the year, mainly in the science faculty.

Cadbury Confectionery Malaysia, a leading confectionery brand, delivered strong market leadership assisted by successful marketing campaigns and its portfolio of brands that is highly popular with Malaysian consumers. Following the acquisition of the Cadbury Group by Kraft Foods in 2010, the integration journey was successfully undertaken and revenue as well as cost synergies were achieved, resulting in reinvestments back into the brand to drive further growth. To attest to these results, Cadbury Malaysia has achieved an 80% improvement in its bottom line.

Drew Ameroid Sdn Bhd performed satisfactorily despite the competitive operating environment, registering a marginal increase in sales. Rising operating and product costs were somewhat mitigated by improved product sourcing and selective price increases, including the introduction of new products and services.

Artist impression of
the Crops for the
Future Research Centre,
adjacent to UNMC



Kao (Malaysia) Sdn Bhd operated favourably for the year under review. Despite the escalating cost of living, there has been an improvement in consumer spending and this has impacted positively on our personal care products. Our hair care brands such as 'Liese' and 'Asience' along with our stronger brands namely 'Biore' and 'Laurier' enjoyed good momentum, registering a 17% growth on its profit contribution. Given our strong product efficacy, this investment was able to deliver an improved contribution while managing costs.

Boustead Credit Sdn Bhd recorded a modest profit this year, with the secondhand car financing segment driving the business. The focus was on maintaining the quality of loans in order to sustain profitability.

Asia Smart Cards Centre Sdn Bhd experienced a challenging year, with an increasingly competitive environment due to tighter regulations and low margins. It is confident on its renewal plan to further enhance its technical capabilities to maintain its position as the preferred card personalisation service for its clientele.

CORPORATE RESPONSIBILITY

As one of the nation's leading conglomerates, the Boustead Group believes firmly in the value of not only delivering growth to our shareholders but also in contributing positively to the communities we operate within. With this in mind, our corporate responsibility efforts are aimed towards uplifting the quality of life for all Malaysians through our various outreach programmes for the development of our human capital, community, environment and education.





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HUMAN CAPITAL

The Group recognises that our success over the years has been built on the foundation of a skilled and talented workforce. Therefore, we are aware that it is crucial to nurture our diverse talent pool in order to meet the needs of our different divisions, which call for varying skills, capabilities and expertise from our employees.

We have established several personal development and skills training programmes to equip our employees at all levels and positions with the necessary know-how needed to meet their responsibilities and perform at their best. New additions to the Boustead Group are not overlooked. An induction programme is in place to facilitate their orientation to the workplace.

The Group welcomed interns this year under our 'Skim Latihan 1Malaysia-Boustead Graduate Internship Programme'. The programme was introduced in support of 'Skim Latihan 1Malaysia', launched by the Government in June 2011. It aims to develop the skills, knowledge and competencies of unemployed graduates by providing them with on-the-job training.

While the professional development of our people is vital to our growth, we believe enhancing their quality of life is equally important. We undertook various steps to improve the welfare of our employees.

For employees stationed at our plantation estates and palm oil mills, we embarked on several initiatives to upgrade facilities in order to improve their accommodation and working conditions. In Peninsular Malaysia, we have upgraded about 50% of employee accommodation. We eliminated all asbestos-roofing in the living quarters as well as in our operations in an effort to safeguard the health of our employees.

Furthermore, in order to reward the performance of our plantation staff, the Group has started the granting of gratuitous monthly payments of RM200 to workers on our estates in Peninsular Malaysia and Sabah. This is in support of the nation's efforts to alleviate poverty in the plantation sector.

The Group appreciates that encouraging strong bonds between our employees is vital to ensure Boustead's continued success. In our effort to strengthen the spirit of camaraderie, we organised retreats for our employees.

We are fully aware of the importance of occupational health and safety, and have implemented an ongoing 'Health Awareness Campaign' to ensure our employees are up to date on health and safety policies and practices. We encourage our employees to report all accidents and near-miss incidents in the workplace and urge them to go for regular wellness screenings. A 'Safety Campaign Week' has been instituted and fire drills are carried out throughout the year.

COMMUNITY

As the Group grows, it is important to consider the disadvantaged members of our society in need of assistance and aid. Over the past years, we have been strongly committed to supporting those in need, reaching out to poor neighbourhoods, indigenous communities, disadvantaged schools, orphanages, old folk's homes and the disabled. This incorporates activities initiated by all our subsidiaries.

This year, Pharmaniaga supported a number of initiatives focusing on healthcare. Through the 'Skuad Operasi Sihat' (SOS) service, in collaboration with Mercy Malaysia, the Group provided health and dental check-ups to the Orang Asli community at the Belum Forest Reserve, Perak. In addition, we conducted a healthcare outreach mission in Kota Kinabalu, Sabah through our SOS service in conjunction with the 'Geriatrics Awareness Campaign' organised by Universiti Malaysia Sabah (UMS). We worked hand in hand with the students of UMS to provide basic health screening for the general public, as well as helping to organise other activities such as a blood donation drive, health exhibition and public forum.

Medical assistance, was provided through our programme 'Doktor Turun Kampung', where a team of volunteers from both the public and private sector worked together to provide free medical check-ups to the community in Johor. In addition to this, we gave our support to the Ministry of Health in their fundraising efforts during the nationwide 'Health Carnival Campaign'.

BHPetrol reached out to poor and needy families by highlighting their life stories through a television programme. Through this segment, the Group was able to extend a helping hand to ease their difficulty.



We are firmly committed to making positive contributions to the lives of underprivileged children. A number of 'Buka Puasa' events were held for several orphanages during the month of Ramadan, namely Rumah Bakti Hulu Klang, Persatuan Kebajikan Teratak Shifa', Rumah Titian Kasih, Pusat Jagaan Suci Rohani, Kompleks Darul Kifayah, Rumah Anak Yatim Ar-Raudah, and Pertubuhan Kebajikan Ukhuwah Anak Yatim Islam Sungai Besar Daerah Sabak Bernam.

In the spirit of 1Malaysia, we sponsored a Christmas treat for children from Shelter One, Petaling Jaya, and embarked on a fundraising drive for the orphanage, Precious Children Home during the Curve's Christmas campaign. We sponsored e@Curve for the 'Stop Child Abuse' campaign. Not overlooking other communities in need, we sponsored the Curve and e@Curve as venues for several awareness and fundraising efforts for charitable and welfare organisations. These included the National Kidney Foundation Road Show, the Focus Point Blood Donation Drive, the Polis DiRaja Malaysia Crime Awareness Day and many more. Furthermore, we held a Chinese New Year lunch for the residents of Joy Haven Old Folk's Home.



At Boustead, we understand the importance of sports development in order to cultivate a healthy society. The Group has been actively involved in a number of sporting initiatives. This year's sixth annual BHPetrol Orange Run attracted a bigger crowd with 3,500 participants. This was also the first year that the event raised funds for charitable causes, collecting donations for three charity

homes in Kuala Lumpur, namely Sentuhan Budi, Yayasan Sunbeams Home and Rumah Kebajikan Anbu Illam. the Curve was also the official venue for the fifth consecutive 'CIMB Squash Malaysian Open 2011'.

We reached out beyond our borders this year. In support of the relief efforts in Somalia, Pharmaniaga donated medical supplies worth RM260,000 for people suffering from acute malnutrition. Together with Islamic Relief Malaysia, we helped raise funds for the victims of the Pakistan floods that killed hundreds and left countless more homeless. Along with other organisations, emergency supplies were donated to this cause. Additionally, we supported Viva Palestina Malaysia's efforts in providing medical relief and employment opportunities for the Palestinian people.



EDUCATION

We believe that an integral component in cultivating a knowledge-based society is providing quality education for all Malaysians. This is instrumental in developing a nation that is globally competitive.

Various programmes were implemented in order to facilitate the enhancement of our country's standards of education. We are aware that a conducive learning environment is something that can be out of reach for many underprivileged students. The Group eagerly lent a hand to provide aid to children from low-income families in Kampung Baru Selaud Tuaran, Sabah via its 'Masih Ada Sayang' project. We sponsored school necessities including books, shoes and uniforms to prepare them for the new school year ahead and helped with house repairs for families in need of assistance.

In support of students at the elementary school level, the Group contributed to the development of our nation's quality of education with our involvement in the 'PINTAR' programme. Students were able to benefit from various educational and motivational seminars via the programme. We sponsored The Star's Newspaper-in-Education programme, aimed at encouraging an interest in the English language in schools and developing the skills of students.

At the secondary school level, MHS Aviation Berhad gave career talks to students in Terengganu and Shah Alam and supported basic cardiopulmonary resuscitation and photography lessons. Through efforts initiated by the University of Nottingham Malaysia Campus, the Group contributed funds that went towards improving the conditions of Sekolah Jenis Kebangsaan Tamil Ladang Semenyih.

In the field of higher education, we awarded book prizes for academic excellence to university undergraduates from Universiti Teknologi Mara and International Islamic University Malaysia.

ENVIRONMENT

We are in support of the Government's call to environmental consciousness and have taken steps to intensify our investment in sustainable business practices and processes. A number of initiatives to foster a greener and more sustainable way of life for our future generations have been put in place.

Boustead is fully dedicated to adhering to environmental laws and regulations and we constantly upgrade our production process and operations to keep up with the changing environmental standards and regulations.

Through our environmental policies, we have put in place strict pollution control initiatives including the monitoring of air emissions, management of scheduled waste storage before licensed disposal, monitoring waste water quality, and energy conservation efforts.

Answering the growing need for sustainable palm oil, our Sungei Jernih Palm Oil Mill in Pahang was the first business unit to be accredited with the Roundtable of Sustainable Palm Oil (RSPO) certification in September 2011. With this, the mill's annual production of some 16,000 tonnes of crude palm oil will be deemed certified sustainable palm oil. The Group is currently pursuing RSPO sustainable palm oil certification for our Nak Palm Oil Mill business unit in Sandakan, Sabah, and aims to obtain this accreditation for our other mills.

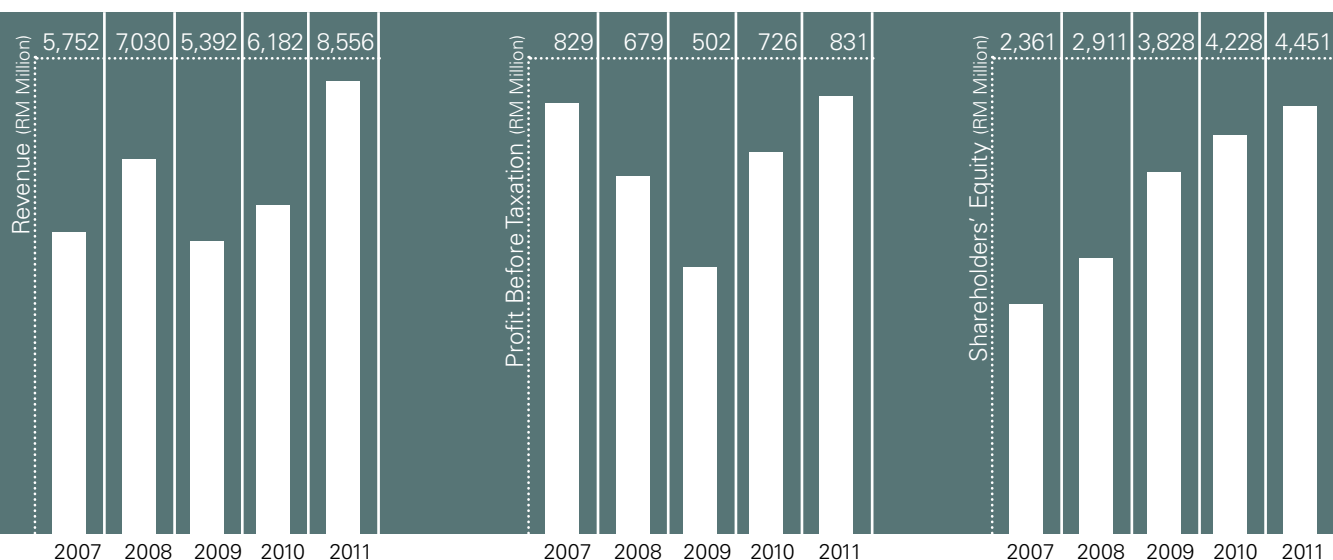
The Group is exploring initiatives to reduce palm oil mill effluents (POME) discharge into natural waterways via composting technology to convert POME and empty fruit bunches into organic fertilizers for use by our plantation estates. We are aiming to reduce our carbon footprint, with a strategy in the works, to establish bio-gas plants in all our palm oil mills by 2020.

For our environmentally friendly range of products in the manufacturing sector, UAC Berhad was certified with Type III Environment ecolabelling issued by the German Institute of Construction and Environment. We also received the Green Label by the Singapore environment Council in recognition of our eco-friendly products.



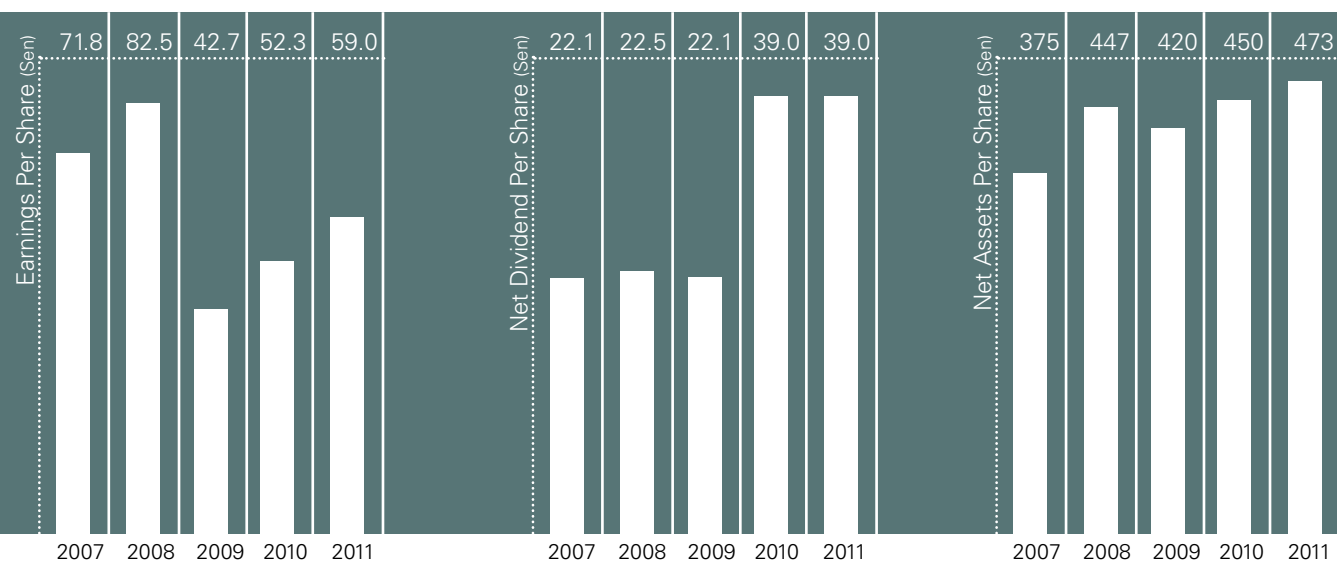
Five-Year Financial Highlights

		2011	2010	2009	2008	2007
FINANCIAL PERFORMANCE						
Revenue		8,556	6,182	5,392	7,030	5,752
Profit before taxation		831	726	502	679	829
Profit after taxation		732	625	418	668	655
Profit attributable to shareholders		611	538	342	579	478
Earnings per share	sen	59.0	52.3	42.7	82.5	71.8
Return on equity	%	14.1	13.3	10.1	22.0	22.3
Return on assets	%	9.4	9.0	7.1	9.7	13.4
Return on revenue	%	7.1	9.4	7.5	8.7	13.0
DIVIDENDS						
Dividend payment		375	367	184	145	138
Net dividend per share	sen	39.0	39.0	22.1	22.5	22.1
Dividend yield – net of tax	%	6.7	7.3	6.4	6.6	3.4
Dividend cover	times	1.6	1.5	1.9	4.0	3.5



		2011	2010	2009	2008	2007
GEARING						
Borrowings		5,095	3,163	2,944	3,503	3,383
Gearing	times	1.1	0.8	0.8	1.2	1.4
Interest cover	times	5.1	7.4	4.9	5.4	7.6
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	473	450	420	447	375
Share price – high	sen	650	605	452	725	685
Share price – low	sen	449	326	300	218	183
Price earning ratio	times	9.8	9.3	7.4	3.8	8.2
Paid up share capital		470	470	456	326	315
Shareholders' equity		4,451	4,228	3,828	2,911	2,361
Total equity		5,203	4,699	4,275	3,296	3,209
Total assets		12,723	9,268	9,088	8,679	8,441

All figures are in RM million unless otherwise stated.



Directors

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

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

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

Dato' (Dr.) Megat Abdul Rahman Megat Ahmad

Datuk Azzat Kamaludin

Dato' Ghazali Mohd Ali

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

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

SECRETARY
Pn. Sharifah Malek

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

AUDITORS
Ernst & Young

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad

HOLDING CORPORATION
Lembaga Tabung Angkatan Tentera

Financial Calendar

Financial Year	1 January to 31 December 2011			
Results	First quarter Announced 27 May 2011		Second quarter Announced 18 August 2011	
	Third quarter Announced 21 November 2011		Fourth quarter Announced 27 February 2012	
Annual Report	Issued 16 March 2012			
Annual General Meeting	To be held 9 April 2012			
Dividends	First interim Announced 27 May 2011	Second interim Announced 29 September 2011	Third interim Announced 21 November 2011	Fourth interim Announced 27 February 2012
	Entitlement date 17 June 2011	Entitlement date 13 October 2011	Entitlement date 16 December 2011	Entitlement date 16 March 2012
	Payment 28 June 2011	Payment 28 October 2011	Payment 30 December 2011	Payment 30 March 2012

Board of Directors



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



Tan Sri Dato' Lodin
Wok Kamaruddin



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



Dato' (Dr.) Megat Abdul
Rahman Megat Ahmad



Datuk Azzat Kamaludin



Dato' Ghazali Mohd Ali

Profile of Directors

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

Chairman

Independent
Non-Executive Director
81 Years of Age, Malaysian

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

Tan Sri Ghazali graduated from the Royal Military Academy, Sandhurst, United Kingdom and the Command and Staff College, Quetta, Pakistan. He had served in various capacities in the Malaysian Armed Forces for more than 30 years culminating in his appointment as Chief of the Armed Forces from 1985 to 1987. Tan Sri Ghazali was the Chairman of Lembaga Tabung Angkatan Tentera (LTAT) from 23 February 1988 until 22 February 2007. Tan Sri Ghazali is the Chairman of UAC Berhad and he also sits on the Boards of Boustead Plantations Berhad and Boustead Properties Berhad.

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.

Tan Sri Dato' Lodin Wok Kamaruddin

Deputy Chairman/Group Managing Director

Non-Independent
Executive Director
62 Years of Age, Malaysian

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

Tan Sri Lodin graduated from The University of Toledo, Ohio, USA with a Bachelor of Business Administration and Master of Business Administration. He has extensive experience in not only managing a provident fund but also in the establishment, restructuring and management of various business interests ranging from plantation, trading, financial services, property development, oil and gas, pharmaceuticals and shipbuilding. Tan Sri Lodin is the Chairman of Boustead Heavy Industries Corporation Berhad, Pharmaniaga Berhad, 1Malaysia Development Berhad and Johan Ceramics Berhad. He is also the Deputy Chairman of Affin Holdings Berhad, and sits on the Boards of UAC Berhad, Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Investment Bank Berhad, AXA AFFIN Life Insurance Berhad, MHS Aviation Berhad, FIDE Forum and Badan Pengawas Pemegang Saham Minoriti Berhad. Among the many awards Tan Sri Lodin received to-date include the Chevalier De La Légion D'Honneur from the French Government, the Malaysian Outstanding Entrepreneurship Award, the Honorary Doctor of Laws from the University of Nottingham, United Kingdom, The BrandLaureate Brand Personality Awards and the UiTM Alumnus of The Year 2010 Award.

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.

Profile of Directors

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

Independent
Non-Executive Director
81 Years of Age, Malaysian

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

Dato' Yusof is a graduate of the Royal Military Academy, Sandhurst, United Kingdom; Defence Services Staff College, India; and International Defence Management Naval Institute, United States of America. He holds a diploma in Practical & Applied Psychology in Industry from Aldermaston College, United Kingdom. Dato' Yusof had also attended a Business Administration course at INTAN. He served in various capacities in the Malaysian Armed Forces from 1955 to 1988 with his last position being that of Chief of Defence Intelligence Staff.

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.

Dato' (Dr.) Megat Abdul Rahman Megat Ahmad

Independent
Non-Executive Director
72 Years of Age, Malaysian

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

Dato' Megat is also the senior independent non-executive Director to whom all concerns regarding the Group may be conveyed. He holds a Bachelor of Commerce degree from University of Melbourne, Australia. He is a Life Member of the Malaysian Institute of Certified Public Accountants, a member of the Malaysian Institute of Accountants and a Fellow Member of the Institute of Chartered Accountants in Australia. He holds an honorary doctorate in Business Administration from Universiti Kebangsaan Malaysia. 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 sits on the Boards of UAC Berhad and Press Metal Berhad. He also sits on the Boards of Universiti Kebangsaan Malaysia and Pusat Perubatan Universiti Kebangsaan Malaysia.

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.

Datuk Azzat Kamaludin

Non-Independent
Non-Executive Director
66 Years of Age, Malaysian

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

Datuk Azzat is a lawyer by profession, and is a partner of the law firm of Azzat & Izzat. He graduated from the University of Cambridge with degrees in Law and in International Law in 1969 and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as Administrative and Diplomatic Officer with the Ministry of Foreign Affairs Malaysia in various capacities. He is presently a director of Boustead Heavy Industries Corporation Berhad, Axiata Group Berhad, KPJ Healthcare Berhad, Visdynamics Holdings Berhad, Pulai Springs Berhad and several other private limited companies. He served as a member of the Securities Commission from 1 March 1993 to 21 March 1999.

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner.

Dato' Ghazali Mohd Ali

Non-Independent
Executive Director
63 Years of Age, Malaysian

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

Dato' Ghazali graduated from the Western Australia Institute of Technology (WAIT) in Perth in Town and Regional Planning in 1970 and is a Fellow of the Malaysian Institute of Planners. Dato' Ghazali was a member of the Town Planning Board of Malaysia and is a Board member of Boustead Properties Berhad, Perumahan Kinrara Berhad, Johan Ceramics Berhad and Iskandar Investment Berhad. Prior to joining Boustead Holdings Berhad, he was the Managing Director of Syarikat Perumahan Pegawai Kerajaan Sdn Bhd (SPPK) and Deputy Director General of the Urban Development Authority (UDA).

He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Arkitek MAA, of which he is a partner.

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

Senior
Management
Team

From left to right

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

Dato' Ghazali Mohd Ali
Divisional Director, Property

Mr. Daniel Ebinesan
Group Finance Director



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

Mr. Koo Hock Fee
Divisional Director, Manufacturing

Mr. Chow Kok Choy
Divisional Director, Plantation

Datuk Mokhtar Khir
Director of Operations,
Boustead Hotels and Resorts

Dato' Farshilla Emran
Managing Director, Pharmaniaga Berhad

Mr. Tan Kim Thiam
Managing Director, Boustead Petroleum Marketing



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

MEMBERS AND MEETINGS

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

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Director Chairman of the Committee	Yes	6/6
Lt. Gen. Dato' Mohd Yusof Din (R)	Non-executive Director	Yes	6/6
Datuk Azzat Kamaludin	Non-executive Director	No	6/6

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

TERMS OF REFERENCE

Membership

The Audit Committee shall comprise at least three non-executive Directors, the majority of whom are independent, including the Chairman. All members of the Audit Committee shall be financially literate and at least one member shall be a professional or qualified accountant. Any vacancy resulting in there being no majority of independent Directors shall be filled within three months.

Authority

In carrying out their duties and responsibilities, the Audit Committee shall have the authority to:

- investigate any matter within its terms of reference;
- have the resources which are required to perform its duties and to obtain independent professional or other advice it deems necessary;
- have full and unrestricted access to any information pertaining to the Group;
- have direct communication channels with the external and internal auditors, as well as employees of the Group; and
- be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

Key Functions and Responsibilities

A summary of the key functions and responsibilities of the Audit Committee in accordance with the terms of reference of the Audit Committee is as follows:

1. Review the external auditors' audit plan, the scope of their audits and audit report.
2. Review the evaluation of the system of internal control with the internal and external auditors.
3. Review the adequacy of the scope, functions, competency and resources of the in-house internal audit function, including whether it has the necessary authority to carry out its work.
4. Review the internal audit plan and results of the internal audit plan or investigation undertaken and follow-up on the recommendations contained in the audit reports of the internal audit function.
5. Review the Group's quarterly results and the annual financial statements prior to the approval by the Board of Directors, focusing particularly on:
 - changes in or implementation of major accounting policies;
 - significant and unusual events; and
 - compliance with accounting standards and other regulatory requirements.
6. Review any related party transactions and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.
7. Review the procedures of recurrent related party transactions undertaken by the Company and the Group.
8. Review the Risk Management Committee's periodic report on key risk profiles and risk management activities.
9. Discuss with the external auditors with regards to problems and observations noted in their interim and final audits.

10. Assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.
 11. Recommend the nomination of a person or persons as external auditors.
 12. Review any letter of resignation from the external auditors or suggestions for their dismissal.
 13. Monitor the Group's compliance to the Listing Requirements (LR) and the Malaysian Code of Corporate Governance from assurances by the Company Secretary and the results of review by the external and internal audits.
 14. Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the LR, the Audit Committee must promptly report such matter to the Bursa Malaysia Securities Berhad.
 15. Carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors.
- Reviewed the internal and external auditors' scope of work and annual audit plans for the Group.
 - Reviewed management letters and the audit reports of the external auditors.
 - Reviewed the quarterly and annual reports of the Group to ensure compliance with the LR, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors.
 - Reviewed the Risk Management Committee's report on key risk profiles and risk management activities.
 - Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement on Internal Control and recommend to the Board for approval prior to their inclusion in the Company's annual report.
 - Reviewed the resource requirements of the Group internal audit function.
 - Reviewed the related party transactions entered by the Company and the Group as well as the disclosure of and the procedures relating to related party transactions.
 - Reviewed internal audit reports and to monitor/follow-up on remedial action. Where required, members of the Audit Committee would carry out ground visits to verify significant issues highlighted in the internal audit reports.
 - Met with the external auditors twice during the year in the absence of management.

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 were as follows:

INTERNAL AUDIT FUNCTION

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

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

During the financial year, the Group internal audit function had undertaken the following activities:

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

The total cost incurred for the Group internal audit function in respect of the financial year ended 31 December 2011 amounted to RM3.8 million (2010: RM3.6 million).

Statement on Corporate Governance

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

The Board considers that it has complied throughout the financial year with the best practices as set out in the Code, except for disclosure on Directors' remuneration that complies with the disclosure requirements under the Listing Requirements of Bursa Malaysia Securities Berhad.

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.

BOARD RESPONSIBILITIES

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

necessary, may seek independent professional advice about the affairs of the Group. The Board has a formal schedule of matters reserved to itself for decision, including the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial matters.

COMPOSITION OF THE BOARD

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

A brief profile of each Director is presented on pages 62 to 65 of this annual report.

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

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

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

BOARD MEETINGS

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

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

Board of Directors	6 meetings
Audit Committee	6 meetings
Nomination Committee	2 meetings
Remuneration Committee	4 meetings

Statement on Corporate Governance

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

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Gen. Tan Sri Dato' Mohd. Ghazali Hj. Che Mat (R)	Non-executive Chairman	Yes	6/6
Tan Sri Dato' Lodin Wok Kamaruddin	Deputy Chairman/ Group Managing Director	No	6/6
Lt. Gen. Dato' Mohd Yusof Din (R)	Non-executive Director	Yes	6/6
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Director	Yes	6/6
Datuk Azzat Kamaludin	Non-executive Director	No	6/6
Dato' Ghazali Mohd Ali	Executive Director	No	6/6

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 the Group's 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 Securities Berhad. The Directors will continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with paragraph 15.09 of Bursa Malaysia Listing Requirements. Trainings attended by the Directors during the year are as follows:

Course Title/Organiser	Date
Boustead Annual Globalisation Lecture – Shifting Sands: The Global Financial Crisis and Changing Balance of the World Economy (The University of Nottingham, Malaysia Campus)	12 January 2011
Assessing the Risk and Control Environment (Bursa Malaysia)	24 March 2011
Economic Outlook and Implications on Financial and Banking Industries – is Another Financial Crisis Imminent?	28 March 2011
Breakfast Talk on Sporting Excellence to Invigorate Business Thinking (MINDA)	12 April 2011
Talk on the Economic Outlook of the Banking Sector, Competition Act 2010 & Personal Data Protection Act 2010	26 July 2011
Khazanah Megatrends Forum – Uncertainty as Normality, Navigating Through Complex Interconnection (Khazanah)	26 – 27 September 2011
Asian Malls – Innovative Retailing Multiple Choices Future (Council of Asian Shopping Centres)	13 – 15 October 2011
20 Conversations @ Harvard Program (Linkage Asia, Singapore)	17 – 21 October 2011
The New Corporate Governance Blueprint Update (Malaysian Institute of Corporate Governance)	27 October 2011
Directors' Duties & Responsibilities: Duties of Care & Skill and Fiduciary Duties with Reference to Group and Nominee Directorships together with Business Judgement with Case Studies and Update of Listing Requirements of the Bursa Malaysia Securities Berhad and the Importance of Conformance to the Capital Market & Securities Laws and Regulations (Mah-Kamariyah & Philip Koh)	27 October 2011

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

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

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

Nomination Committee

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

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

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

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

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

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

Remuneration Committee

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

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

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

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

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

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

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

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

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

DIRECTORS' REMUNERATION

The details on the aggregate remuneration of Directors for the financial year ended 31 December 2011 are as follows:

	Non-executive Directors RM'000	Executive Directors RM'000	Total RM'000
Directors' fees	716	288	1,004
Meeting allowances	157	41	198
Salaries	–	1,920	1,920
Bonuses	–	1,217	1,217
Employees provident fund contribution	–	474	474
Benefits in kind and allowances	60	582	642
Total	933	4,522	5,455

Remuneration paid to Directors during the year analysed into bands of RM50,000 is as follows:

	Non-executive Directors	Executive Directors
From RM100,001 to RM150,000	1	–
From RM150,001 to RM200,000	1	–
From RM200,001 to RM250,000	1	–
From RM300,001 to RM350,000	1	–
From RM1,300,001 to RM1,350,000	–	1
From RM3,150,001 to RM3,200,000	–	1

INVESTORS AND SHAREHOLDERS RELATIONSHIP

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

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

En. Fahmy bin Ismail

Designation – **General Manager, Corporate Planning**

Contact details – **Telephone Number: 03-20317749**

Email: fahmy.cpd@boustead.com.my

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Related Party Transactions

Directors recognise that they must declare their respective interests in transactions with the Company and the Group, and abstain from deliberation and voting on the relevant resolution in respect of such transactions at the Board or at any general meetings convened to consider the matter. All related party transactions are reviewed as part of the annual internal audit plan, and the Audit Committee reviews any related party transactions and conflict of interest situation that may arise within the Group including any transactions, procedure or course of conduct that raises questions of management integrity. Details of related party transactions are set out in Note 41 to the annual financial statements.

Internal Control

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

Relationship with External Auditors

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

This statement is made in accordance with a resolution of the Board of Directors dated 5 March 2012.

Directors' Responsibility Statement

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

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

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

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

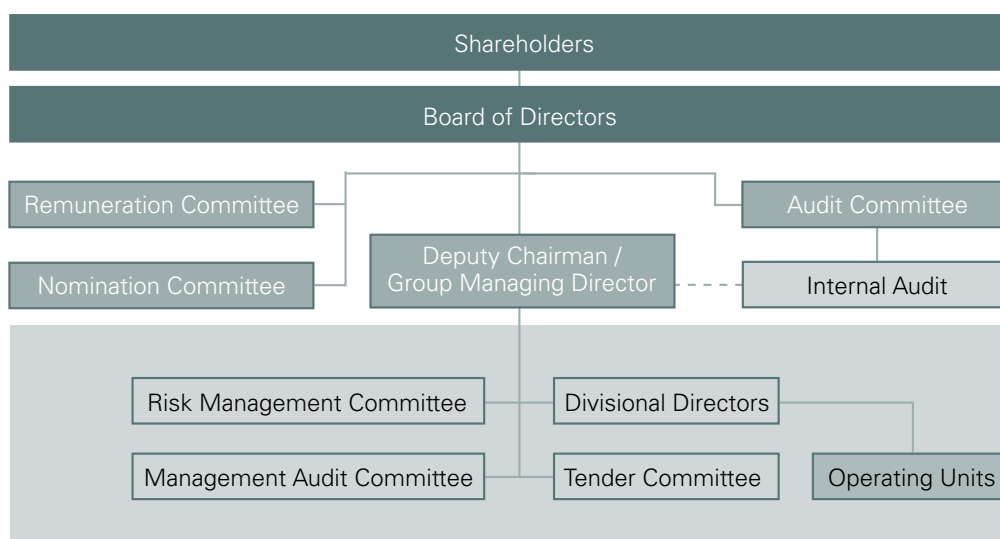
This statement is made in accordance with a resolution of the Board of Directors dated 5 March 2012.

BOARD RESPONSIBILITY

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

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

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



RISK MANAGEMENT

Risk management is regarded by the Board as an important aspect of the Group's diverse and growing operations with the objective of maintaining a sound internal control system. To this end, the Group has established the appropriate risk management infrastructure to ensure that the Group's assets are well-protected and shareholders' value enhanced.

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

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

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

- adopted a structured and systematic risk assessment, monitoring and reporting framework;

- heightened risk awareness culture in the business processes through risk owners' accountability and sign-off for action plans and continuous monitoring;
- fostered a culture of continuous improvement in risk management through risk review meetings; and
- provided a system to manage the central accumulation of risk profiles data with risk significance rating for the profiles as a tool for prioritising risk action plans.

Hence, the Group has in place the necessary risk infrastructure encompassing the risk assessment process, organisational oversight and reporting function to instill the appropriate discipline and control around continuously improving its risk management capabilities. Risk assessment, monitoring and review of the various risks faced by the Group is a continuous process within the key operating units with the RMC playing a pivotal oversight function. The RMC convenes on a half-yearly basis to review the key risk profiles and submit a summary reporting to the Audit Committee.

Amidst delivering growth for its stakeholders, the Group will continue its focus on sound risk assessment practices and internal controls to ensure that the Group is well equipped to manage the various challenges arising from the dynamic business and competitive environment.

KEY ELEMENTS OF INTERNAL CONTROL

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

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

Statement on Internal Control

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

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

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

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

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

WEAKNESSES IN INTERNAL CONTROL 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 5 March 2012.

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Directors' Report

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

Boustead Holdings Berhad is an investment holding company and was incorporated in Malaysia in 1960. Following the acquisition of Pharmaniaga Berhad in March 2011, the Group expanded its pharmaceutical manufacturing capacity and also engaged in the purchase, storage and distribution of pharmaceutical and medical products to Government hospitals and private institutions. During the year, the Group also engaged in the provision of air transportation, flight support, flight training, engineering and technical services to oil and gas companies. The principal activities of the Subsidiaries and Associates are stated on pages 193 to 200. There have been no other significant changes in the nature of these activities during the financial year under review.

RESULTS

	Group RM Million	Company RM Million
Profit for the year attributable to:		
Shareholders of the Company	610.6	267.1
Non-controlling interests	121.3	–
	731.9	267.1

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 changes in accounting policies, the gain on disposal of plantation assets, fair value gain on investment properties and the consolidation of new Subsidiaries as disclosed in notes to the financial statements.

DIVIDENDS

During the financial year under review, the Company paid the fourth interim single tier dividend of 12 sen per share totalling RM112.8 million in respect of the financial year ended 31 December 2010 as declared in the Directors' report of that year.

DIVIDENDS (CONT'D.)

The Directors have declared the following single tier dividends in respect of the financial year ended 31 December 2011:

	Net dividend Sen per share	RM Million	Payment date
First interim dividend	8.0	75.2	28 June 2011
Second interim dividend	10.0	94.0	28 October 2011
Third interim dividend	12.0	112.8	30 December 2011
Fourth interim dividend	9.0	93.1	30 March 2012
	39.0	375.1	

The second interim dividend comprised a dividend-in-specie on the basis of 1 ordinary share of RM1.00 each in Pharmaniaga Berhad for every 57.5 ordinary shares of the Company held and a cash dividend equivalent to RM0.10 per share for those shareholders who would otherwise receive an entitlement of less than 100 ordinary shares in Pharmaniaga Berhad.

DIRECTORS

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

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

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. 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 41 to the financial statements.

Directors' Report

REMUNERATION COMMITTEE

The Remuneration Committee reviews the remuneration packages, reward structure and fringe benefits applicable to the Deputy Chairman/Group Managing Director, executive Director and senior executives on an annual basis and makes recommendations to the Board. The members of the Remuneration Committee are:

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

DIRECTORS' INTERESTS

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

	At 1/1/11	Acquired	Sold	At 31/12/11
<i>Ordinary shares of RM0.50 each</i>				
Boustead Holdings Berhad				
Tan Sri Dato' Lodin Wok Kamaruddin	26,122,599	—	111,000	26,011,599
Datuk Azzat Kamaludin	40,000	—	—	40,000
<i>Ordinary shares of RM1.00 each</i>				
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Lodin Wok Kamaruddin	2,000,000	—	—	2,000,000
Datuk Azzat Kamaludin	495,300	—	—	495,300
Dato' Ghazali Mohd Ali	75,000	—	—	75,000
Pharmaniaga Berhad				
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	—	200,000	—	200,000
Tan Sri Dato' Lodin Wok Kamaruddin	—	3,184,538	—	3,184,538
Lt. Gen. Dato' Mohd Yusof Din (R)	—	100,000	—	100,000
Datuk Azzat Kamaludin	—	3,000	—	3,000
Dato' Ghazali Mohd Ali	—	50,000	—	50,000
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Lodin Wok Kamaruddin	5,916,465	—	—	5,916,465

DIRECTORS' INTERESTS (CONT'D.)

	At 1/1/11	Acquired	Sold	At 31/12/11
Affin Holdings Berhad				
Gen. Tan Sri Dato' Mohd Ghazali				
Hj. Che Mat (R)	91,708	–	–	91,708
Tan Sri Dato' Lodin Wok Kamaruddin	808,714	–	–	808,714
Datuk Azzat Kamaludin	110,000	–	–	110,000
Dato' Ghazali Mohd Ali	51,000	–	51,000	–
<i>Redeemable preference shares of RM1.00 each</i>				
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Lodin Wok Kamaruddin	50	–	–	50

None of the other Directors holding office at the end of the year had any interest in shares in the Company or its related corporations during the year.

ISSUE OF SHARES

There were no shares issued during the financial year under review.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and statements of financial position 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:
- (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent.
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
 - (iv) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D.)

(c) As at the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

(d) 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 AND SUBSEQUENT EVENTS

Details of the significant and subsequent events are disclosed in Note 42 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. TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT (R)

TAN SRI DATO' LODIN WOK KAMARUDDIN

Kuala Lumpur
5 March 2012

Statement by Directors and Statutory Declaration

Boustead Holdings Berhad 2011 annual report

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, GEN. TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT (R) 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 96 to 200 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of the results and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 45 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institute of Accountants.

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

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

TAN SRI DATO' LODIN WOK KAMARUDDIN

Kuala Lumpur
5 March 2012

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 96 to 200 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 5 March 2012.

Before me

ZAINALABIDIN BIN NAN
Commissioner for Oaths
Kuala Lumpur

DANIEL EBINESAN

Independent Auditors' Report

To the Members of Boustead Holdings Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Boustead Holdings Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 96 to 191 and pages 193 to 200.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2011 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its Subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the Subsidiaries which we have not acted as auditors, which are indicated on pages 193 to 199, being financial statements that have been included in the consolidated financial statements.
- (c) 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.
- (d) The auditors' reports on the financial statements of the Subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

The supplementary information set out in Note 45 on page 192 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other Purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG

AF: 0039

Chartered Accountants

AHMAD ZAHIRUDIN BIN ABDUL RAHIM

No. 2607/12/12(J)

Chartered Accountant

Kuala Lumpur, Malaysia

5 March 2012

Income Statements

For the year ended 31 December 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM Million	RM Million	RM Million	RM Million
Revenue	4	8,555.8	6,181.8	424.7	426.6
Operating cost	5	(7,946.5)	(5,599.8)	(57.8)	(112.4)
Results from operations		609.3	582.0	366.9	314.2
Gain on disposal of plantation assets		94.6	–	32.4	–
Interest income	6	8.3	4.2	5.9	2.1
Other investment results	7	188.1	146.6	(12.3)	158.8
Finance cost	8	(201.0)	(113.6)	(102.6)	(68.2)
Share of results of Associates		131.7	107.0	–	–
Profit before taxation		831.0	726.2	290.3	406.9
Income tax expense	9	(99.1)	(101.3)	(23.2)	(42.3)
Profit for the year		731.9	624.9	267.1	364.6
Attributable to:					
Shareholders of the Company		610.6	537.5	267.1	364.6
Non-controlling interests		121.3	87.4	–	–
Profit for the year		731.9	624.9	267.1	364.6
Earnings per share – sen	10	59.04	52.26		

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

Statements of Comprehensive Income

For the year ended 31 December 2011

Boustead Holdings Berhad 2011 annual report

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Profit for the year	731.9	624.9	267.1	364.6
Other comprehensive income/(loss):				
Net gain on available for sale investments				
– Fair value changes	32.7	52.0	0.2	1.2
– Transfer to profit or loss upon disposal	(0.8)	(2.2)	–	–
Foreign currency translation	1.4	(4.1)	–	–
Total comprehensive income for the year	765.2	670.6	267.3	365.8
Attributable to:				
Shareholders of the Company	644.6	582.5	267.3	365.8
Non-controlling interests	120.6	88.1	–	–
Total comprehensive income for the year	765.2	670.6	267.3	365.8

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

Statements of Financial Position

As at 31 December 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM Million	RM Million	RM Million	RM Million
ASSETS					
Non-current assets					
Property, plant and equipment	12	3,445.0	2,119.0	5.3	9.1
Biological assets	13	347.6	357.2	–	–
Investment properties	14	1,212.9	1,074.7	65.0	69.5
Development properties	15	227.1	216.1	–	–
Prepaid land lease payments	16	39.6	49.5	–	–
Long term prepayments	17	143.3	136.1	–	–
Deferred tax assets	18	60.2	65.5	–	–
Subsidiaries	19	–	–	2,919.6	2,408.3
Associates	20	1,274.7	1,165.3	686.9	686.9
Investments	21	592.8	528.0	5.6	5.3
Intangible assets	22	1,257.4	1,472.3	–	–
Total non-current assets		8,600.6	7,183.7	3,682.4	3,179.1
Current assets					
Inventories	23	680.3	244.0	–	3.1
Property development in progress	24	12.2	34.5	–	–
Due from customers on contracts	25	731.3	195.9	–	–
Receivables	26	1,507.1	1,093.9	653.0	137.6
Deposits, cash and bank balances	27	1,140.7	424.5	3.8	6.9
Assets of disposal group classified as held for sale	28	50.7	91.7	–	53.5
Total current assets		4,122.3	2,084.5	656.8	201.1
Total assets		12,722.9	9,268.2	4,339.2	3,380.2

		Group		Company	
		2011	2010	2011	2010
	Note	RM Million	RM Million	RM Million	RM Million
EQUITY AND LIABILITIES					
Equity attributable to shareholders of the Company					
Share capital	29	470.1	470.1	470.1	470.1
Non-distributable reserves	30	1,770.8	1,708.4	1,213.8	1,213.6
Retained earnings	31	2,210.5	2,049.4	327.0	459.5
Shareholders' equity		4,451.4	4,227.9	2,010.9	2,143.2
Non-controlling interests		751.9	470.8	–	–
Total equity		5,203.3	4,698.7	2,010.9	2,143.2
Non-current liabilities					
Borrowings	32	1,159.3	687.4	731.6	437.0
Payables	33	27.5	26.3	–	–
Deferred tax liabilities	18	95.2	121.1	–	1.6
Total non-current liabilities		1,282.0	834.8	731.6	438.6
Current liabilities					
Borrowings	32	3,936.2	2,475.8	1,088.7	576.8
Payables	33	2,177.5	1,100.3	508.0	221.6
Due to customers on contracts	25	59.7	124.6	–	–
Taxation		59.4	34.0	–	–
Liabilities directly associated with disposal group classified as held for sale	28	4.8	–	–	–
Total current liabilities		6,237.6	3,734.7	1,596.7	798.4
Total liabilities		7,519.6	4,569.5	2,328.3	1,237.0
Total equity and liabilities		12,722.9	9,268.2	4,339.2	3,380.2

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

Statements of Changes in Equity

For the year ended 31 December 2011

	Share capital RM Million	Non-distributable reserves RM Million	Retained earnings RM Million	Total attributable to shareholders of the Company RM Million	Non-controlling interests RM Million	Total equity RM Million
Group						
At 1 January 2010	455.7	1,591.9	1,872.6	3,920.2	447.0	4,367.2
Total comprehensive income for the year	–	45.0	537.5	582.5	88.1	670.6
Transactions with owners						
Changes in ownership interests in Subsidiaries						
– Acquisition of Subsidiaries (Note 19)	–	–	–	–	20.3	20.3
– Additional investment in Subsidiaries	–	–	–	–	(4.5)	(4.5)
– Disposal of a Subsidiary (Note 19)	–	–	–	–	(56.7)	(56.7)
Issue of shares						
– By the Company (Note 29)	14.4	48.5	–	62.9	–	62.9
– By Subsidiaries	–	–	–	–	5.6	5.6
Transfer during the year (Note 30)	–	23.0	(23.0)	–	–	–
Dividends (Note 11)	–	–	(337.7)	(337.7)	(29.0)	(366.7)
At 31 December 2010 and 1 January 2011	470.1	1,708.4	2,049.4	4,227.9	470.8	4,698.7
Total comprehensive income for the year	–	34.0	610.6	644.6	120.6	765.2
Transactions with owners						
Changes in ownership interests in Subsidiaries						
– Acquisition of Subsidiaries (Note 19)	–	–	–	–	44.9	44.9
– Additional investment in Subsidiaries	–	–	(11.8)	(11.8)	(41.6)	(53.4)
– Partial disposal of a Subsidiary	–	(0.2)	(14.3)	(14.5)	189.4	174.9
Issue of shares by Subsidiaries	–	–	–	–	10.4	10.4
Transfer during the year (Note 30)	–	28.6	(28.6)	–	–	–
Dividends (Note 11)	–	–	(394.8)	(394.8)	(42.6)	(437.4)
At 31 December 2011	470.1	1,770.8	2,210.5	4,451.4	751.9	5,203.3

	Share capital RM Million	← Non-distributable → Share premium RM Million	Fair value reserve RM Million	Retained earnings RM Million	Total equity RM Million
Company					
At 1 January 2010	455.7	1,163.6	0.3	432.6	2,052.2
Total comprehensive income for the year	–	–	1.2	364.6	365.8
Transactions with owners					
Issue of shares during the year (Note 29)	14.4	48.5	–	–	62.9
Dividends (Note 11)	–	–	–	(337.7)	(337.7)
At 31 December 2010 and 1 January 2011	470.1	1,212.1	1.5	459.5	2,143.2
Total comprehensive income for the year	–	–	0.2	267.1	267.3
Transactions with owners					
Partial disposal of a Subsidiary	–	–	–	(4.8)	(4.8)
Dividends (Note 11)	–	–	–	(394.8)	(394.8)
At 31 December 2011	470.1	1,212.1	1.7	327.0	2,010.9

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

Statements of Cash Flows

For the year ended 31 December 2011

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Operating activities				
Cash receipts from customers	8,993.3	6,046.3	45.0	117.3
Cash paid to suppliers and employees	(7,961.5)	(5,812.9)	(63.6)	(113.0)
Cash generated from/(used in) operations	1,031.8	233.4	(18.6)	4.3
Income taxes (paid)/refunded	(128.8)	(60.0)	14.2	32.5
Net cash from/(used in) operating activities	903.0	173.4	(4.4)	36.8
Investing activities				
Acquisition of Subsidiaries (Note 19)	(645.1)	(22.9)	(701.7)	(0.1)
Additional investment in Subsidiaries and Associates	(13.1)	(2.8)	(20.0)	–
Disposal of a Subsidiary (Note 19)	–	131.4	–	362.6
Partial disposal of a Subsidiary	82.7	–	82.7	–
Disposal of an Associate	4.9	6.0	–	6.0
Investments purchased	(92.5)	(26.5)	–	–
Deposit paid on proposed acquisition	–	(16.0)	–	(16.0)
Proceeds from disposal of investments	61.8	22.1	–	–
Proceeds from disposal of plantation assets	189.2	–	88.8	–
Biological assets and property, plant and equipment				
– Purchases	(972.9)	(264.0)	(1.1)	(55.9)
– Disposals	12.6	9.1	–	–
Purchase and development of investment properties	(28.1)	(72.9)	–	–
Dividends received	89.1	56.1	255.9	264.0
Interest received	8.5	4.2	5.9	2.1
Net cash (used in)/from investing activities	(1,302.9)	(176.2)	(289.5)	562.7

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Financing activities				
Issue of shares				
– By the Company	–	62.9	–	62.9
– By Subsidiaries	10.4	5.6	–	–
Dividends paid				
– By the Company	(302.6)	(337.7)	(302.6)	(337.7)
– By Subsidiaries	(42.6)	(29.0)	–	–
Proceeds from long term loans	724.3	440.6	334.6	414.5
Repayment of long term loans	(394.1)	(446.1)	(10.0)	(60.0)
Increase/(decrease) of revolving credits and bankers' acceptances	1,301.1	280.2	464.0	(319.0)
Receipts from Group companies	–	–	891.4	365.5
Payments to Group companies	–	–	(1,002.4)	(637.3)
Interest paid	(205.1)	(125.3)	(102.1)	(63.4)
Placement of pledged deposits	(500.0)	–	–	–
Net cash from/(used in) financing activities	591.4	(148.8)	272.9	(574.5)
Net increase/(decrease) in cash and cash equivalents	191.5	(151.6)	(21.0)	25.0
Foreign currency translation difference	0.1	–	–	–
Cash and cash equivalents at beginning of year	398.3	549.9	5.1	(19.9)
Cash and cash equivalents at end of year	589.9	398.3	(15.9)	5.1
Cash and cash equivalents at end of year				
Deposits, cash and bank balances (Note 27)	1,140.7	424.5	3.8	6.9
Overdrafts (Note 32)	(51.6)	(26.2)	(19.7)	(1.8)
Deposits, cash and bank balances classified as held for sale (Note 28)	0.8	–	–	–
	1,089.9	398.3	(15.9)	5.1
Deposits pledged (Note 27)	(500.0)	–	–	–
	589.9	398.3	(15.9)	5.1

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

Accounting Policies

(A) BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest million except when otherwise indicated.

(B) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries as at and for the year ended 31 December of each year. Interests in Associates are equity accounted.

The financial statements of the Subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of Subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs incurred are expensed and included in administrative expenses. The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. The accounting policy for goodwill is set out in Note D(i). Discount on acquisition which represents negative goodwill is recognised immediately as income in profit or loss.

In business combinations achieved in stages, previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

(B) BASIS OF CONSOLIDATION (CONT'D.)

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

Non-controlling interests represent the equity in Subsidiaries not attributable, directly or indirectly, to the owners of the Company, and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from shareholders' equity. Losses within a Subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Changes in the Group's equity interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the Subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in shareholders' equity.

If the Group loses control over a Subsidiary, at the date the Group loses control, it:

- Derecognises the assets (including goodwill) and liabilities of the Subsidiary at their respective carrying amounts.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration or distribution received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In the Company's separate financial statements, investments in Subsidiaries are accounted for at cost less any impairment charges. Dividends received from Subsidiaries are recorded as a component of revenue in the Company's separate income statement.

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.

Investment in Associates is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in Associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the Associates, less distribution received and less any impairment in value of individual investments.

The consolidated income statement reflects the share of the Associates' results after tax. Where there has been a change recognised directly in the equity of Associates, 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.

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 the financial statements of the Associate to ensure consistency of the accounting policies used with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its Associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value and recognises the amount in the 'share of profit of an Associate' in the income statement.

An Associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence. Upon loss of significant influence over the Associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the Associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

(D) INTANGIBLE ASSETS

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less 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. Where the recoverable amount of the cash-generating unit is less than its carrying amount including goodwill, an impairment loss is recognised in the profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note (E).

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding development costs, are not capitalised and the expenditure is reflected in the income statement in the year when incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Accounting Policies

(D) INTANGIBLE ASSETS (CONT'D.)

(ii) Other intangible assets (cont'd.)

Intangible assets with finite lives are amortised over the estimated useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(a) Concession right

A Subsidiary of the Group was granted the concession relating to the privatisation of the Medical Laboratory and Store of the Ministry of Health for the distribution of selected medical products to Government-owned hospitals for 11 years since 1998. The concession was extended for a further ten years commencing 1 December 2009. The right attached to this concession which was acquired as part of a business combination is initially measured at its fair value at the acquisition date. The fair value of the concession right was computed by discounting the estimated future net cash flows to be generated from the acquisition date until the expiry of the current concession term which ends on 30 November 2019.

The fair value of the concession right is amortised on a straight line basis over the remaining tenure of the concession contract.

(b) Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

(D) INTANGIBLE ASSETS (CONT'D.)**(ii) Other intangible assets (cont'd.)****(c) Rights to supply**

Expenses incurred to acquire the rights to supply pharmaceutical products is capitalised and amortised over a concession period of 10 years. The right has a finite useful life and is carried at cost less accumulated amortisation and accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the rights to supply pharmaceutical products is assessed and written down immediately to its recoverable amount in accordance with accounting policy set out in Note (R).

(E) CURRENCY CONVERSION

The Group's 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. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its Subsidiaries and recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations which are recognised initially in other comprehensive income and accumulated under foreign exchange currency reserve in equity. The foreign exchange currency reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss 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.

Accounting Policies

(E) CURRENCY CONVERSION (CONT'D.)

(ii) Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is recognised in profit or loss.

(F) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are initially recorded at cost. Certain land and buildings are subsequently shown at valuation less subsequent depreciation and impairment losses.

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 accumulated 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.

The revaluation surplus arising from previous revaluation is accumulated in equity under revaluation reserve. Any impairment loss is first offset against the revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

Freehold land and capital work in progress are not amortised. Leasehold land classified as finance lease is amortised in equal instalment over the period of the leases ranging from 24 to 99 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	5 – 20 years
Aircrafts	6 – 15 years
Furniture & equipment	2 – 10 years
Motor vehicles	4 – 10 years

(F) PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised 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 profit or loss.

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 profit or loss 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 that are held either to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. Investment properties under construction (IPUC) are measured at fair value, or where fair value cannot be determined reliably, are measured at cost less impairment.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Accounting Policies

(H) INVESTMENT PROPERTIES (CONT'D.)

Subsequent to initial recognition, investment properties are measured at fair value, which is determined by the 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 value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note (F) up to the date of change in use.

(I) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS

(i) Development properties

Development properties are classified within non-current assets and are stated at cost less accumulated impairment losses.

Development properties comprise land banks which are in the process of being prepared for development but have not been launched, or where development activities are not expected to be completed within the normal operating cycle.

Development properties are reclassified as property development in progress at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development in progress

Property development in progress comprises cost of land currently being developed together with related development cost common to the whole project and direct building cost.

Property development revenue and expenses are recognised in profit or loss by using the stage of completion method when the financial outcome of the development activity can be reliably estimated. The stage of completion is determined by the proportion that property development in progress incurred for work performed to date bear to the estimated total property development in progress.

(I) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS (CONT'D.)**(ii) Property development in progress (cont'd.)**

Where the financial 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.

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

The excess or shortfall of revenue recognised in profit or loss over billings to purchasers is classified as accrued billings within trade receivables or progress billings within trade payables respectively.

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

(J) LONG TERM PREPAYMENTS

Long term prepayments comprise mainly prepaid rentals made to service station operators and land owners in respect of the Group's service station activities. These prepayments are amortised over the tenure of the agreements.

(K) CONSTRUCTION CONTRACTS

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

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract cost incurred that is likely to be recoverable. Contract cost is recognised as expense in the period in which it is incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variation in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of cost incurred on construction contracts plus recognised profit (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 profit (less recognised losses), the balance is classified as amount due to customers on contracts.

Accounting Policies

(L) 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 construction contracts is recognised on the percentage of completion method. Rental income from the letting of properties is recognised on a straight line basis over the lease terms, while finance charges from hire purchase activities are recognised over the period of the hire purchase contracts using the effective interest method. 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 over the period of instruction whereas non-refundable registration and enrolment fees are recognised when chargeable.

Dividends from Subsidiaries, Associates and available for sale investments are recognised when the right to receive payment is established. Interest income is recognised as it accrues using the effective interest method unless collection is doubtful.

(M) INCOME TAXES

Income tax recognised in profit or loss for the year comprises current and deferred tax.

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 by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in Subsidiaries and Associates, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(M) INCOME TAXES (CONT'D.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with the investments in Subsidiaries and Associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

Accounting Policies

(N) EMPLOYEE BENEFITS

Short term benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense in the period 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 the Company make contributions to the Employees Provident Fund in Malaysia. Some of the Group's foreign Subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed. 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.

(O) INVENTORIES

Inventories are stated at the lower of cost and net realisable value, cost being determined on the weighted average basis. Cost includes all incidental costs incurred in bringing the inventories to their present location and condition; and in the case of produce stocks, includes harvesting, manufacturing and transport charges, where applicable. Inventories of completed properties comprise cost of land and the relevant development cost.

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

(P) FINANCIAL ASSETS

Financial assets are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When the financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables, financial assets at fair value through profit or loss and available for sale financial assets. The Group does not have any held to maturity financial assets.

(P) FINANCIAL ASSETS (CONT'D.)

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's and the Company's loans and receivables comprise receivables, deposits, cash and bank balances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(ii) Available for sale financial assets

Available for sale financial assets are financial assets that are designated as available for sale or are not classified in any other categories of financial assets. The Group's and the Company's available for sale financial assets comprise investments.

After initial recognition, available for sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available for sale equity instruments are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available for sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(iii) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Accounting Policies

(P) FINANCIAL ASSETS (CONT'D.)

(iii) Financial assets at fair value through profit or loss (cont'd.)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require the delivery of assets within the period generally established by regulation or convention in marketplace concerned.

(Q) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Financial assets carried at amortised cost

To determine whether there is objective evidence that impairment exists for financial assets carried at amortised cost, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

(Q) IMPAIRMENT OF FINANCIAL ASSETS (cont'd.)**(i) Financial assets carried at amortised cost (cont'd.)**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has occurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available for sale financial assets

In the case of equity instruments classified as available for sale, significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that these financial assets are impaired.

If an available for sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss.

Impairment losses on available for sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

Accounting Policies

(R) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGU).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(S) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(T) FINANCIAL LIABILITIES

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Accounting Policies

(U) LEASES

(i) Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards of ownership. Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

(ii) Operating lease

Leases of assets under which substantial risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

(V) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups 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.

(W) SEGMENT REPORTING

For management purpose, the Group is organised into operating segments based on their activities, products and services which are independently managed by the Divisional Directors responsible for the performance of the respective segments under their charge. The Divisional Directors report directly to the Group's chief operating decision maker who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance.

(W) SEGMENT REPORTING (CONT'D.)

For the financial year commencing 1 January 2011, the Group's activities in the varied sectors of the Malaysian economy have been reorganised as the Group increased its focus in the new Pharmaceutical business segment. Accordingly, the Group's segment information has been presented under six operating segments namely, Plantation, Heavy Industries, Property, Finance & Investments, Pharmaceutical and Trading & Manufacturing. The comparative figures on segment information have been restated appropriately.

(X) SHARE CAPITAL AND SHARE ISSUANCE EXPENSES

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. The attributable incremental transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax.

(Y) BORROWING COSTS

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(Z) CONTINGENCIES

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

Notes to the Financial Statements

1. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011.

FRS 1 First time adoption of financial reporting standards
FRS 3 Business combinations (revised)
FRS 7 Disclosures for first-time adopters
FRS 127 Consolidated and separate financial statements
Amendments to FRS 1 Additional exemption for first-time adopters
Amendments to FRS 1 Limited exemption from comparative
Amendments to FRS 2 Share-based payment
Amendments to FRS 2 Group cash-settled share-based payment transactions
Amendments to FRS 5 Non-current assets held for sale and discontinued operations
Amendments to FRS 7 Improving disclosures about financial instruments
Amendments to FRS 132 Classification of rights issues
Amendments to FRS 138 Intangible assets
Amendments to IC Interpretation 9 Reassessment of embedded derivatives
IC Interpretation 4 Determining whether an arrangement contains a lease
IC Interpretation 12 Service concession arrangements
IC Interpretation 16 Hedges of a net investment in a foreign operation
IC Interpretation 17 Distribution of non-cash assets to owners
IC Interpretation 18 Transfer of assets from customers
Improvements to FRSs 2010

Adoption of the above standards and interpretations did not have any effect on the financial performance or the position of the Group and of the Company, except for the following:

(a) Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised FRS 3 introduces a number of changes in accounting for business combinations occurring after 1 July 2010. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The revised FRS 3 continues to apply the acquisition method to business combinations but with some significant changes. All payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related cost is expensed.

1. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(a) Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements (cont'd.)

The revised FRS 3 was applied to the Group's acquisition of new Subsidiaries during the year. Thus, acquisition-related cost of RM3.0 million which previously would have been allowed to be added to the consideration for the business combination, has been recognised as an expense in the profit or loss during the current financial year.

Under the revised FRS 127, minority interest is referred to as non-controlling interest. The amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) be accounted for as an equity transaction. Therefore, such transactions will no longer give rise to a change in goodwill, nor will they give rise to a gain or loss. Further, losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. Prior to 1 January 2011, the allocation of such losses to non-controlling interests would cease when the carrying amount of the non-controlling interests is nil. The subsequent profits attributable to the non-controlling interests would not be added to the carrying amount of the non-controlling interests until all the previous losses have been made good.

Following the prospective application of the revised FRS 127:

- (i) Non-controlling interests which did not fully recognise their portion of the losses previously were credited with their share of the current year's profit totalling RM38.3 million.
- (ii) Changes in the Company's interest in a Subsidiary as described in Note 42 (a) did not give rise to a gain or loss in the income statement, but have resulted in a reduction in the shareholders' equity of the Group and of the Company of RM14.5 million and RM4.8 million respectively. Under the previous standard, the carrying amount of the goodwill and non-controlling interests would have been reduced by RM24.6 million.

(b) Amendments to FRS 7 Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The fair value measurement disclosures are presented in Note 37.

Notes to the Financial Statements

2. STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, new and amended FRS and IC Interpretations which were issued but not yet effective, for which the Group and the Company have not early adopted are as follows:

Effective for financial period beginning on or after 1 July 2011

Amendments to IC Interpretation 19 Extinguishing financial liabilities with equity instruments

Effective for financial period beginning on or after 1 January 2012

FRS124 Related party disclosures

Amendments to FRS 7 Disclosures – transfers of financial assets

Amendments to FRS 112 Deferred tax – recovery of underlying assets

Effective for financial period beginning on or after 1 July 2012

Amendments to FRS 101 Presentation of other items of other comprehensive income

Effective for financial period beginning on or after 1 January 2013

FRS 9 Financial instruments

FRS 10 Consolidated financial statements

FRS 11 Joint arrangements

FRS 12 Disclosures on interests in other entities

FRS 13 Fair value measurements

Amendments to FRS 119 Employee benefits

Amendments to FRS 127 Separate financial statements

Amendments to FRS 128 Investments in associates and joint ventures

The adoption of the above will have no material impact on the financial statements of the Group and the Company in the period of initial application, except as discussed below:

The amendments to FRS 7 require additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendments affect disclosure only and has no impact on the Group's financial position or profit or loss.

2. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

The amendments to FRS 101 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

FRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127. The Group is currently assessing the impact of adoption of FRS 10.

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value when fair value is required or permitted. The Group is currently assessing the impact of adoption of FRS 13.

MFRS Framework

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). As at 31 December 2011, all the FRS issued under the existing FRS Framework are the same as the MFRS. The key differences between the MFRS Framework and the FRS Framework are that in the MFRS Framework, FRS 201₂₀₀₄ Property Development Activities will continue to be the extant standard for accounting for property development activities and not IC 15, and there is no equivalent standard to IAS 41 Agriculture.

The MFRS Framework is effective for annual periods beginning on or after 1 January 2012 for all entities except for entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called Transitioning Entities).

The Group falls under the scope definition of Transitioning Entities and opted to adopt MFRS for annual periods beginning on or after 1 January 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date 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 below:

(a) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment of intangible assets at each reporting date. Intangible assets are tested for impairment annually and at other times when such indicators exist. Intangible assets are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use calculations are undertaken, management estimates 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. Further details of the key assumptions applied in the impairment assessment of intangible assets are given in Note 22.

(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 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(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 reporting 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 requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. 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. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

(d) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 26.

(e) Property development

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

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

The carrying amounts of the Group's development properties and property development in progress are disclosed in Note 15 and Note 24.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(f) Construction contracts

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

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

The Group records the unapproved variation orders as and when it is probable that the customer will approve the variation order and the amount of revenue arising from the variation order can be measured reliably.

(g) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unused tax credits and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating cost, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation.

These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The total carrying value of the Group's recognised tax losses, tax credits and capital allowances and the unrecognised tax losses, tax credits and capitals allowances are disclosed in Note 18.

4. REVENUE

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Sale of produce	993.0	782.7	37.8	103.9
Sale of goods				
– Petroleum products	4,103.5	3,015.9	–	–
– Pharmaceutical products	1,257.7	93.5	–	–
– Building materials	468.8	440.9	–	–
– Others	16.2	25.0	–	–
Ship repair	660.5	534.3	–	–
Shipbuilding	160.5	571.1	–	–
Sale of development properties	237.8	200.7	–	–
Revenue from agency business	48.1	55.3	–	–
Rental income	106.7	99.5	7.1	7.2
Hotel operations	109.5	102.3	–	–
Tuition fees	95.6	85.5	–	–
Air transportation and flight services	184.7	–	–	–
Gross insurance premium	–	92.5	–	–
Gross dividends from quoted shares in Malaysia				
– Subsidiaries	–	–	26.6	21.3
– Associates	–	–	37.1	27.9
– Others	–	–	0.1	0.1
Gross dividends from unquoted shares in Malaysia				
– Subsidiaries	–	–	312.1	257.6
– Associates	–	–	3.7	8.5
– Others	–	–	0.2	0.1
Others	113.2	82.6	–	–
	8,555.8	6,181.8	424.7	426.6

Notes to the Financial Statements

5. OPERATING COST

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Changes in inventories of finished goods and work in progress	(8.0)	7.5	–	–
Finished goods and work in progress purchases	5,189.2	3,173.1	–	–
Raw material and consumables used	1,295.6	1,282.8	33.7	94.4
Staff costs	447.6	356.2	10.8	10.1
Defined contribution plans	58.6	51.0	1.6	1.5
Depreciation and amortisation				
– Property, plant and equipment (Note 12)	167.9	117.5	0.9	1.3
– Biological assets (Note 13)	1.3	1.3	–	–
– Prepaid land lease payments (Note 16)	0.9	0.9	–	–
– Long term prepayments (Note 17)	6.9	6.5	–	–
– Intangible assets (Note 22)	6.9	–	–	–
Gain on disposal of property, plant and equipment	(4.3)	(2.0)	–	–
Impairment loss				
– Property, plant and equipment (Note 12)	9.2	–	–	–
– Biological assets (Note 13)	5.4	2.0	–	–
Investment properties – direct operating expenses	37.5	31.8	3.0	2.8
General insurance underwriting				
– Reinsurance premiums	–	42.1	–	–
– Net claims incurred	–	30.5	–	–
Other operating cost	731.8	498.6	7.8	2.3
	7,946.5	5,599.8	57.8	112.4

5. OPERATING COST (CONT'D.)

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Other operating cost includes:				
Rent paid – plantation assets	151.5	133.3	–	3.6
– others	31.3	26.2	1.6	1.6
Statutory audit fees – auditor of the Company	2.6	2.3	0.3	0.1
– others	0.5	0.2	–	–
Directors' fees – current year	1.0	0.8	0.4	0.3
Directors' remuneration – emoluments	3.8	3.1	0.2	0.2
– benefits	0.6	0.6	–	–
Hire of equipment	3.4	3.9	–	–
Lease of aircraft and parts	105.1	–	–	–
Trade receivables (Note 26)				
– Impairment loss	6.7	8.5	–	–
– Reversal of impairment loss	(5.2)	(6.2)	–	–
Research and development	16.7	7.5	–	–
Net fair value gain on derivatives	(23.2)	(1.2)	–	–
Net foreign exchange loss/(gain) – realised	16.3	(5.4)	–	–
– unrealised	(1.8)	0.3	–	–
Inventories – writedown	10.9	7.4	–	–
– writeback	(3.0)	(0.8)	–	–

6. INTEREST INCOME

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Interest income – Subsidiaries	–	–	5.4	2.0
– Associates	1.7	1.3	0.1	0.1
– others	6.6	2.9	0.4	–
	8.3	4.2	5.9	2.1

Notes to the Financial Statements

7. OTHER INVESTMENT RESULTS

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Gross Dividends				
– Quoted shares in Malaysia	35.8	14.0	–	–
– Unquoted shares in Malaysia	0.2	0.1	–	–
(Loss)/profit on sale				
– Subsidiaries (Note 19)	–	75.0	(5.7)	156.7
– Associate	(0.2)	–	–	–
– Other investments	2.4	3.6	–	–
Net fair value gain/(loss) on investment properties (Note 14)	109.5	52.1	(4.5)	1.9
Impairment loss on loan to Subsidiaries	–	–	(2.1)	–
Reversal of impairment loss				
– Associates	–	0.2	–	0.2
Negative goodwill recognised				
– Acquisition of a Subsidiary (Note 19)	40.4	–	–	–
– Additional investment in a Subsidiary	–	1.6	–	–
	188.1	146.6	(12.3)	158.8

8. FINANCE COST

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Interest expense on				
– Loans from Subsidiaries	–	–	21.4	19.0
– Bank borrowings	188.1	133.3	48.7	46.9
– Bank guaranteed medium term notes	32.5	2.3	32.5	2.3
	220.6	135.6	102.6	68.2
Capitalised in qualifying assets	(19.6)	(22.0)	–	–
	201.0	113.6	102.6	68.2

9. INCOME TAX EXPENSE

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Tax expense for the year				
– Malaysian income tax	124.6	92.0	25.5	44.1
– Foreign income tax	0.7	–	–	–
– Deferred tax relating to origination and reversal of temporary differences (Note 18)	(13.3)	11.1	(1.7)	(0.1)
	112.0	103.1	23.8	44.0
(Over)/under provision in prior year				
– Malaysian income tax	(10.6)	(6.2)	(0.7)	(1.6)
– Deferred tax (Note 18)	(2.3)	4.4	0.1	(0.1)
	99.1	101.3	23.2	42.3

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2010: 25%) of the estimated assessable profit for the year.

Notes to the Financial Statements

9. INCOME TAX EXPENSE (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 of the Company is as follows:

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Profit before taxation	831.0	726.2	290.3	406.9
Taxation at Malaysian statutory rate of 25% (2010: 25%)	207.8	181.6	72.6	101.7
Income not subject to tax	(73.3)	(29.5)	(65.1)	(67.7)
Share of results in Associates	(32.9)	(26.7)	–	–
Non-deductible expenses	43.3	30.1	13.5	10.0
Tax incentives	(3.3)	(40.8)	–	–
Deferred tax assets not recognised	24.4	14.5	2.9	–
Benefit from previously unrecognised tax losses and unabsorbed capital allowances	(53.9)	(26.7)	–	–
Others	(0.1)	0.6	(0.1)	–
Overprovision in prior year	112.0	103.1	23.8	44.0
	(12.9)	(1.8)	(0.6)	(1.7)
Income tax expense recognised in profit or loss	99.1	101.3	23.2	42.3

10. EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the consolidated profit for the year attributable to shareholders of the Company of RM610.6 million (2010: RM537.5 million) by the weighted average number of ordinary shares in issue during the year of 1,034.2 million (2010: 1,028.5 million).

The weighted average number of ordinary shares in issue for the current year and the previous year was arrived at after reflecting the retrospective adjustments as required by FRS133 Earnings per Share arising from the Company's bonus issue of 94,015,554 ordinary shares which was completed on 10 January 2012 (Note 42(j)).

11. DIVIDENDS

	Dividend amount		Dividend per share	
	2011	2010	2011	2010
	RM Million	RM Million	Sen	Sen
Dividends on ordinary shares:				
In respect of financial year ended 31 December				
First interim	75.2	47.0	8.00	5.00
Second interim	94.0	94.0	10.00	10.00
Third interim	112.8	112.8	12.00	12.00
	282.0	253.8	30.00	27.00
Fourth interim dividend paid in respect of the previous financial year	112.8	83.9	12.00	9.00
	394.8	337.7	42.00	36.00

Subsequent to the end of the current financial year, the Directors have declared a fourth interim dividend of 9.0 sen per share amounting to RM93.1 million in respect of the financial year ended 31 December 2011. The dividend which will be paid on 30 March 2012 will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM Million	Aircrafts RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
Group – 2011					
Cost or valuation					
At 1 January 2011	1,301.4	–	586.2	774.0	2,661.6
Assets of Subsidiaries acquired (Note 19)	225.5	151.3	85.1	95.8	557.7
Additions	23.5	586.2	29.6	352.0	991.3
Disposals	(7.8)	–	(18.1)	(14.4)	(40.3)
Reclassification	64.2	–	20.3	(84.5)	–
Transfer to assets held for sale (Note 28)	(25.9)	–	(16.3)	(3.2)	(45.4)
Exchange adjustment	0.4	–	0.5	(0.3)	0.6
At 31 December 2011	1,581.3	737.5	687.3	1,119.4	4,125.5
Accumulated depreciation and impairment					
At 1 January 2011	139.8	–	219.4	183.4	542.6
Charge for the year					
– Recognised in profit or loss (Note 5)	39.5	14.9	59.8	53.7	167.9
– Capitalised in contract cost (Note 25)	0.2	–	0.9	2.7	3.8
Disposals	(1.9)	–	(13.4)	(10.1)	(25.4)
Transfer to assets held for sale (Note 28)	(9.6)	–	(6.4)	(1.8)	(17.8)
Impairment loss (Note 5)	–	–	5.5	3.7	9.2
Exchange adjustment	0.1	–	0.2	(0.1)	0.2
At 31 December 2011	168.1	14.9	266.0	231.5	680.5
Net book value					
At 31 December 2011	1,413.2	722.6	421.3	887.9	3,445.0
Accumulated impairment					
At 31 December 2011	0.3	–	5.5	6.4	12.2

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Land and buildings RM Million	Aircrafts RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
Group – 2010					
Cost or valuation					
At 1 January 2010	1,244.7	–	569.4	712.0	2,526.1
Assets of Subsidiaries acquired (Note 19)	6.6	–	7.5	1.2	15.3
Additions	115.9	–	16.9	120.3	253.1
Disposals	(9.5)	–	(7.2)	(13.1)	(29.8)
Reclassification	46.1	–	0.3	(46.4)	–
Transfer to					
– Biological assets (Note 13)	(2.0)	–	–	–	(2.0)
– Long term prepayments (Note 17)	(3.6)	–	–	–	(3.6)
– Assets held for sale (Note 28)	(95.6)	–	–	–	(95.6)
Exchange adjustment	(1.2)	–	(0.7)	–	(1.9)
At 31 December 2010	1,301.4	–	586.2	774.0	2,661.6
Accumulated depreciation and impairment					
At 1 January 2010	119.0	–	171.0	153.1	443.1
Charge for the year					
– Recognised in profit or loss (Note 5)	30.7	–	52.8	34.0	117.5
– Capitalised in contract cost (Note 25)	1.6	–	2.5	7.4	11.5
Disposals	(6.4)	–	(6.9)	(11.1)	(24.4)
Transfer to					
– Long term prepayments (Note 17)	(1.2)	–	–	–	(1.2)
– Assets held for sale (Note 28)	(3.9)	–	–	–	(3.9)
At 31 December 2010	139.8	–	219.4	183.4	542.6
Net book value					
At 31 December 2010	1,161.6	–	366.8	590.6	2,119.0
Accumulated impairment					
At 31 December 2010	0.3	–	–	2.7	3.0

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Land and buildings RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
Company – 2011				
Cost				
At 1 January 2011	4.4	4.1	10.4	18.9
Additions	–	–	1.1	1.1
Disposals	–	(4.1)	(0.6)	(4.7)
Transfer to Group companies	–	–	(2.7)	(2.7)
At 31 December 2011	4.4	–	8.2	12.6
Accumulated depreciation				
At 1 January 2011	1.5	1.4	6.9	9.8
Charge for the year (Note 5)	0.1	0.2	0.6	0.9
Disposals	–	(1.6)	(0.2)	(1.8)
Transfer to Group companies	–	–	(1.6)	(1.6)
At 31 December 2011	1.6	–	5.7	7.3
Net book value				
At 31 December 2011	2.8	–	2.5	5.3
Company – 2010				
Cost				
At 1 January 2010	4.5	3.1	9.3	16.9
Additions	53.4	1.0	1.5	55.9
Disposals	–	–	(0.4)	(0.4)
Transfer to assets held for sale (Note 28)	(53.5)	–	–	(53.5)
At 31 December 2010	4.4	4.1	10.4	18.9
Accumulated depreciation				
At 1 January 2010	1.4	0.9	6.5	8.8
Charge for the year (Note 5)	0.1	0.5	0.7	1.3
Disposals	–	–	(0.3)	(0.3)
At 31 December 2010	1.5	1.4	6.9	9.8
Net book value				
At 31 December 2010	2.9	2.7	3.5	9.1

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Analysis of net book value of land and buildings:				
Freehold				
– Land	350.6	235.9	–	–
– Buildings	614.8	519.1	–	–
	965.4	755.0	–	–
Long leasehold				
– Land	97.5	99.4	1.6	1.7
– Buildings	222.9	182.7	1.2	1.2
Short leasehold				
– Land	10.4	11.0	–	–
– Buildings	117.0	113.5	–	–
	447.8	406.6	2.8	2.9
	1,413.2	1,161.6	2.8	2.9
Analysis of cost or valuation:				
Cost	3,990.3	2,526.4	12.6	18.9
Valuation	135.2	135.2	–	–
	4,125.5	2,661.6	12.6	18.9

Included in the Group's other property, plant and equipment is capital work in progress costing RM391.1 million (2010: RM257.3 million). The other assets also included under this category are motor vehicles and furniture and equipment.

Properties stated at valuation are based on independent professional valuation carried out on an open market basis. As allowed by the transitional provision of IAS16 (Revised) Property, plant and equipment, these assets continued to be stated on the basis of their previous valuations. The net book value of these revalued freehold properties that would have been included in the Group's financial statements, had these assets been carried at cost less depreciation is RM62.4 million (2010: RM63.9 million).

Additions to the Group's property, plant and equipment during the year include the capitalisation of interest cost of RM14.0 million (2010: RM1.2 million).

Pursuant to the sale and leaseback of plantation assets referred to in Note 40 to the financial statements, the Group will enjoy the continued use of these assets spanning over an area of 48,873 hectares (2010: 45,318 hectares) of plantation land.

Notes to the Financial Statements

13. BIOLOGICAL ASSETS

	Group	
	2011	2010
	RM Million	RM Million
Group		
Cost		
At 1 January	439.1	437.5
Additions	2.9	3.3
Disposal	(0.1)	–
Transfer from property, plant and equipment (Note 12)	–	2.0
Transfer to assets held for sale (Note 28)	(57.2)	–
Exchange adjustment	1.0	(3.7)
At 31 December	385.7	439.1
Accumulated depreciation and impairment		
At 1 January	81.9	81.0
Charge for the year (Note 5)	1.3	1.3
Impairment loss (Note 5)	5.4	2.0
Transfer to assets held for sale (Note 28)	(51.2)	–
Exchange adjustment	0.7	(2.4)
At 31 December	38.1	81.9
Net book value		
At 31 December	347.6	357.2
Accumulated impairment		
At 31 December	38.1	65.9

Additions to the Group's biological assets during the year include the capitalisation of interest cost of RM0.2 million (2010: RM0.8 million).

14. INVESTMENT PROPERTIES

	Completed investment properties RM Million	Investment properties under construction at cost RM Million	Total RM Million
Group			
At 1 January 2010	960.3	6.5	966.8
Net fair value gain (Note 7)	52.1	–	52.1
Additions	17.1	–	17.1
Additions from subsequent expenditure	10.7	46.8	57.5
Revision to prior year's additions	(0.9)	–	(0.9)
Disposal of a Subsidiary	(17.9)	–	(17.9)
At 31 December 2010	1,021.4	53.3	1,074.7
Net fair value gain (Note 7)	109.5	–	109.5
Additions from subsequent expenditure	6.8	25.1	31.9
Revision to prior year's additions	(0.6)	(2.6)	(3.2)
Reclassification	75.8	(75.8)	–
At 31 December 2011	1,212.9	–	1,212.9
Company			
At 1 January 2010	67.6	–	67.6
Net fair value gain (Note 7)	1.9	–	1.9
At 31 December 2010	69.5	–	69.5
Net fair value loss (Note 7)	(4.5)	–	(4.5)
At 31 December 2011	65.0	–	65.0

Notes to the Financial Statements

14. INVESTMENT PROPERTIES (CONT'D.)

Investment properties were revalued by the Directors based on independent professional valuations using the open market value basis. Valuations are performed by accredited independent valuers with recent experience in the location and categories of properties being valued.

Investment properties under construction for the previous year was carried at cost as management believes that due to the nature and amount of remaining project risks, its fair value cannot be reliably determined.

Additions to the Group's investment properties during the year include the capitalisation of interest cost of RM0.5 million (2010: RM0.7 million).

15. DEVELOPMENT PROPERTIES

	Group 2011 RM Million	2010 RM Million
At 1 January:		
– Freehold land, at cost	25.5	21.8
– Long leasehold land, at cost	9.5	10.2
– Development cost	181.1	188.1
	216.1	220.1
Transfer (to)/from property development in progress (Note 24):		
– Freehold land	–	3.7
– Long leasehold land	(0.4)	(0.7)
– Development cost	(53.6)	(98.7)
	(54.0)	(95.7)
Development cost incurred during the year	65.0	91.7
At 31 December	227.1	216.1
Interest cost capitalised during the year	2.0	2.9

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	2010
	RM Million	RM Million
Cost		
At 1 January	54.8	54.6
Additions	–	0.9
Acquisition of Subsidiaries (Note 19)	3.0	–
Disposals	(5.6)	–
Transfer to assets held for sale (Note 28)	(7.2)	–
Exchange adjustment	0.2	(0.7)
At 31 December	45.2	54.8
Accumulated amortisation		
At 1 January	5.3	4.6
Charge for the year (Note 5)	0.9	0.9
Disposals	(0.3)	–
Transfer to assets held for sale (Note 28)	(0.4)	–
Exchange adjustment	0.1	(0.2)
At 31 December	5.6	5.3
Net book value		
At 31 December	39.6	49.5
Amount to be amortised:		
– Within 1 year	0.6	0.9
– Later than 1 year but not later than 5 years	2.4	3.6
– Later than 5 years	36.6	45.0
	39.6	49.5

Notes to the Financial Statements

17. LONG TERM PREPAYMENTS

	Group 2011 RM Million	2010 RM Million
At 1 January	136.1	132.9
Additions	14.1	7.3
Amortisation for the year (Note 5)	(6.9)	(6.5)
Reclassification from property, plant and equipment (Note 12)	–	2.4
At 31 December	143.3	136.1

Long term prepayments comprise mainly prepaid rentals made to service station operators and land owners in respect of the Group's service station activities. These prepayments are amortised over the tenure of the agreements.

18. DEFERRED TAXATION

	Group 2011 RM Million	2010 RM Million	Company 2011 RM Million	2010 RM Million
At 1 January	(55.6)	(39.3)	(1.6)	(1.8)
Acquisition of Subsidiaries (Note 19)	4.8	(0.8)	–	–
Recognised in profit or loss (Note 9)	15.6	(15.5)	1.6	0.2
Exchange adjustment	0.2	–	–	–
At 31 December	(35.0)	(55.6)	–	(1.6)
Presented after appropriate offsetting as follows:				
Deferred tax assets	60.2	65.5	–	–
Deferred tax liabilities	(95.2)	(121.1)	–	(1.6)
	(35.0)	(55.6)	–	(1.6)

The deferred tax liability of the Company in the previous financial year was in respect of provisions.

18. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax assets and liabilities for the Group during the financial year prior to offsetting are as follows:

	Tax losses RM Million	Unabsorbed capital allowances RM Million	Others RM Million	Total RM Million
Deferred tax assets – Group				
At 1 January 2010	12.1	26.5	27.9	66.5
Recognised in profit or loss	4.4	2.0	(7.4)	(1.0)
At 31 December 2010	16.5	28.5	20.5	65.5
Acquisition of Subsidiaries	–	–	12.5	12.5
Recognised in profit or loss	31.5	(5.4)	2.0	28.1
Exchange adjustment	–	0.1	(0.7)	(0.6)
At 31 December 2011	48.0	23.2	34.3	105.5

	Fair value gain on investment properties RM Million	Capital allowances RM Million	Others RM Million	Total RM Million
Deferred tax liabilities – Group				
At 1 January 2010	(10.6)	(93.1)	(2.1)	(105.8)
Acquisition of Subsidiaries	–	–	(0.8)	(0.8)
Recognised in profit or loss	(6.4)	(14.3)	6.2	(14.5)
At 31 December 2010	(17.0)	(107.4)	3.3	(121.1)
Acquisition of Subsidiaries	(2.7)	(3.5)	(1.5)	(7.7)
Recognised in profit or loss	(3.4)	(0.2)	(8.9)	(12.5)
Exchange adjustment	–	–	0.8	0.8
At 31 December 2011	(23.1)	(111.1)	(6.3)	(140.5)

Notes to the Financial Statements

18. DEFERRED TAXATION (CONT'D.)

Deferred tax assets which have not been recognised are as follows:

	Group	
	2011	2010
	RM Million	RM Million
Unused tax losses	144.0	152.9
Unabsorbed capital allowances and agricultural allowances	77.2	96.3
	221.2	249.2

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 these Subsidiaries under section 44(5A) and 44(5B) of the Income Tax Act, 1967.

19. SUBSIDIARIES

	Company	
	2011	2010
	RM Million	RM Million
At cost:		
Shares quoted in Malaysia	1,011.3	597.9
Unquoted shares	1,914.1	1,819.2
	2,925.4	2,417.1
Accumulated impairment	(5.8)	(8.8)
	2,919.6	2,408.3
Market value of quoted shares	1,116.0	851.7

19. SUBSIDIARIES (CONT'D.)

The fair value of assets acquired and liabilities assumed from the acquisition of Subsidiaries as disclosed in Note 42 (a), (d) and (e) are as follows:

	Group	
	2011	2010
	RM Million	RM Million
Net assets acquired:		
Property, plant and equipment (Note 12)	(557.7)	(15.3)
Associate	(5.3)	-
Prepaid land lease payments (Note 16)	(3.0)	-
Intangible assets (Note 22)	(235.2)	(1.9)
Deferred tax assets (Note 18)	(12.5)	-
Current assets	(751.0)	(42.5)
Current liabilities	531.8	12.2
Non-current liabilities	3.4	-
Deferred tax liabilities (Note 18)	7.7	0.8
Long term borrowings	234.8	-
Non-controlling interests	44.9	20.3
Negative goodwill (Note 7)	40.4	-
Purchase consideration	(701.7)	(26.4)
Deposit paid previously	16.0	-
Cash and cash equivalents acquired	40.6	3.5
Net cash outflow on acquisition	(645.1)	(22.9)

Notes to the Financial Statements

19. SUBSIDIARIES (CONT'D.)

Summarised below are the effects of the acquisitions on the Group's performance and financial position.

	Group	
	2011	2010
	RM Million	RM Million
Income statement:		
Revenue	1,320.4	27.7
Profit before tax	62.7	1.6
Net profit	34.8	0.3
Statement of financial position:		
Property, plant and equipment	1,146.2	15.0
Prepaid land lease payments	2.9	–
Deferred tax assets	12.3	–
Intangible assets	240.4	–
Inventories	385.5	28.7
Trade and other receivables	339.3	17.7
Cash and bank balances	56.7	4.1
Borrowings	(210.8)	(1.2)
Trade and other payables	(469.4)	(18.4)
Taxation	(21.9)	(0.2)
Long term borrowings	(316.5)	–
Deferred tax liabilities	(10.4)	(0.8)
Non-controlling interests	(222.7)	(22.0)
Group share of net assets	931.6	22.9

19. SUBSIDIARIES (CONT'D.)

The effects on the financial position of the Group arising from the disposal of the Company's entire interests in BH Insurance (M) Berhad during the previous financial year are as follows:

	Group	
	2011	2010
	RM Million	RM Million
Net assets disposed:		
Property, plant and equipment	–	1.6
Investment property	–	17.9
Investments	–	215.9
Goodwill	–	63.7
Deferred tax assets	–	3.9
Current assets	–	281.5
Current liabilities	–	(232.5)
Deferred tax liabilities	–	(7.7)
Non-controlling interest	–	(56.7)
Profit on disposal (Note 7)	–	75.0
Sale proceeds	–	362.6
Cash and cash equivalents disposed	–	(231.2)
Net cash inflow from disposal	–	131.4

Notes to the Financial Statements

20. ASSOCIATES

	Group 2011 RM Million	2010 RM Million	Company 2011 RM Million	2010 RM Million
At cost:				
Shares quoted in Malaysia	624.9	624.9	624.9	624.9
Unquoted shares	80.9	72.3	62.0	62.0
	705.8	697.2	686.9	686.9
Shares of post acquisition reserves	568.9	468.1	–	–
	1,274.7	1,165.3	686.9	686.9
Market value:				
Quoted shares	952.5	955.6	952.5	955.6

The summarised financial information of the Associates are as follows:

	Group 2011 RM Million	2010 RM Million
Assets and liabilities		
Total assets	54,666.4	47,769.9
Total liabilities	(48,635.5)	(42,142.5)
Results		
Revenue	2,948.9	2,836.2
Net profit for the year	555.5	486.6

Goodwill included in the carrying amount of the Group's investment in Associates as at 31 December 2011 is RM40.5 million (2010: RM40.5 million).

21. INVESTMENTS

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Shares quoted in Malaysia	553.9	527.7	5.5	5.2
Malaysian unit trusts	38.7	–	–	–
Unquoted shares	0.7	0.8	0.6	0.6
	593.3	528.5	6.1	5.8
Accumulated impairment	(0.5)	(0.5)	(0.5)	(0.5)
	592.8	528.0	5.6	5.3

The investments in quoted shares and unit trusts are stated at market value. The other investments are stated at cost less impairment.

22. INTANGIBLE ASSETS

	Goodwill	Patrol vessel expenditure	Concession right	Rights to supply	Total
	RM Million	RM Million	RM Million	RM Million	RM Million
Group					
Cost					
At 1 January 2010	1,015.1	455.3	–	–	1,470.4
Acquisition of Subsidiaries (Note 19)	1.9	–	–	–	1.9
At 31 December 2010	1,017.0	455.3	–	–	1,472.3
Acquisition of Subsidiaries (Note 19)	160.2	–	75.0	–	235.2
Additions	–	–	–	12.1	12.1
Reclassification to contract cost (Note 25)	–	(455.3)	–	–	(455.3)
At 31 December 2011	1,177.2	–	75.0	12.1	1,264.3

Notes to the Financial Statements

22. INTANGIBLE ASSETS (CONT'D.)

	Goodwill RM Million	Patrol vessel expenditure RM Million	Concession right RM Million	Rights to supply RM Million	Total RM Million
Accumulated amortisation and impairment					
At 1 January 2010 and 31 December 2010	—	—	—	—	—
Amortisation for the year (Note 5)	—	—	6.5	0.4	6.9
At 31 December 2011	—	—	6.5	0.4	6.9
Net carrying amount					
At 31 December 2011	1,177.2	—	68.5	11.7	1,257.4
At 31 December 2010	1,017.0	455.3	—	—	1,472.3

The carrying amount of goodwill allocated to the Heavy Industries Division is RM974.2 million (2010: RM892.3 million) with the remaining goodwill are from other Divisions.

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 three to five years. The projections reflect management expectation of revenue growth, operating cost and margins based on their recent experience. Discount rate applied to the cash flow projections are derived from the CGU's pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the CGU.

For Heavy Industries Division, pre-tax discount rates of 10% to 12.5% (2010: 7%) and a terminal growth rate of 2% (2010: 2%) have been applied in the value in use calculations.

22. INTANGIBLE ASSETS (CONT'D.)

For the remaining goodwill, the recoverable amounts were determined based on the value in use calculations using cash flow budgets approved by each entity's board of directors covering a three-year period. Cash flows beyond the third year were extrapolated, and the appropriate pre-tax discount rates that reflect each entity's cost of borrowings, the expected rate of return and various risks were applied. No impairment loss was required as at 31 December 2011, as the recoverable amounts were in excess of the carrying amount of the remaining goodwill.

Based on the sensitivity analysis performed, management believes that no reasonably possible change in base case key assumptions would cause the carrying values of the CGU to exceed its recoverable amounts.

The patrol vessel (PV) expenditure for the previous financial year comprised design and integrated logistic support cost which relates to the privatisation agreement with the Government of Malaysia (GOM) for the construction of PV. This expenditure was incurred in anticipation of obtaining additional PV contracts from GOM under the privatisation agreement. In the current financial year, the Group obtained the letter of award for an additional 6 units of PV. Consequently, the PV expenditure was reclassified to contract cost (Note 25).

23. INVENTORIES

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Raw materials and work in progress	120.7	86.4	–	–
Goods for resale	483.5	109.6	–	–
Estate produce	18.0	14.1	–	2.8
Completed properties	6.5	0.8	–	–
Consumable stores	51.6	33.1	–	0.3
	680.3	244.0	–	3.1

During the year, the amount of inventories recognised as an expense of the Group and the Company amounted to RM5,439.8 million (2010: RM3,484.2 million) and RM33.7 million (2010: RM94.4 million) respectively.

Notes to the Financial Statements

24. PROPERTY DEVELOPMENT IN PROGRESS

	Group	
	2011	2010
	RM Million	RM Million
At 1 January		
– Freehold land, at cost	5.7	12.4
– Long leasehold land, at cost	4.4	5.0
– Development cost	128.4	43.6
	138.5	61.0
Cost recognised in profit or loss		
– At 1 January	(104.0)	(32.1)
– Recognised during the year	(167.5)	(125.0)
– Reversal of completed projects	52.5	53.1
	(219.0)	(104.0)
Transfer		
– From development properties (Note 15)	54.0	95.7
– To inventories	(6.0)	(0.2)
– Reversal of completed projects	(52.5)	(53.1)
	(4.5)	42.4
Development cost incurred during the year	97.2	35.1
At 31 December	12.2	34.5
Interest cost capitalised during the year	2.6	1.3

25. DUE FROM/TO CUSTOMERS ON CONTRACTS

	Group 2011 RM Million	2010 RM Million
Ship repair and shipbuilding		
Contract cost incurred to date	2,292.3	6,967.1
Attributable profit	178.3	811.0
	2,470.6	7,778.1
Progress billings	(1,799.0)	(7,706.8)
	671.6	71.3
Presented as follows:		
Due from customers on contracts	731.3	195.9
Due to customers on contracts	(59.7)	(124.6)
	671.6	71.3

The cost incurred to date on construction contracts included the following charges made during the financial year:

	Group 2011 RM Million	2010 RM Million
Depreciation of property, plant and equipment (Note 12)	3.8	11.5
Interest expense	0.3	15.1
Operating leases:		
– Minimum lease payments for plant and equipment	3.7	6.3
– Minimum lease payments for land and buildings	0.1	1.2
Loss/(gain) on foreign exchange	1.0	(1.3)
Staff cost	10.4	18.7

Amount of contract revenue and contract cost recognised in profit or loss are as follows:

Contract revenue	835.6	1,155.2
Contract cost	703.1	789.1

Notes to the Financial Statements

26. RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Trade receivables	1,181.2	854.5	–	0.1
Allowance for impairment	(47.2)	(49.4)	–	–
	1,134.0	805.1	–	0.1
Dividends receivable	–	20.7	106.3	20.9
Deposits	108.7	72.4	1.8	–
Prepayments	67.8	15.5	0.2	0.2
Income tax receivable	58.9	43.8	24.9	25.8
Advances to smallholders scheme	4.2	9.2	–	–
Deposit paid on proposed acquisition	–	16.0	–	16.0
Other receivables	91.9	84.6	9.0	2.0
Non-hedging derivatives (Note 37)	0.3	–	–	–
Amount due from holding corporation	–	0.3	–	–
Amounts due from Subsidiaries	–	–	508.9	70.1
Amounts due from Associates	40.5	23.7	1.9	2.5
Amounts due from other related companies	0.8	2.6	–	–
	1,507.1	1,093.9	653.0	137.6

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. Amounts due from Subsidiaries are unsecured, bear interest at a weighted average rate of 6.5% (2010: 5.0%) per annum and are repayable on demand. Amounts due from Associates and other related companies are trade balances which are unsecured and interest free, with repayment in accordance with normal trading terms.

26. RECEIVABLES (CONT'D.)

Ageing analysis of trade receivables

The Company's trade receivables for the previous year were neither past due nor impaired.

The ageing analysis of the Group's trade receivables is as follows:

	2011 RM Million	2010 RM Million
Group		
Neither past due nor impaired	815.1	439.5
Past due but not impaired		
– Less than 30 days	82.2	50.4
– 31 to 60 days	42.7	37.6
– 61 to 90 days	10.8	12.2
– 91 to 120 days	7.9	219.0
– More than 120 days	164.3	37.3
	307.9	356.5
Impaired	58.2	58.5
	1,181.2	854.5

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 93% (2010: 92%) of the Group's trade receivables arise from customers with more than 3 years of experience with the Group and insignificant losses noted.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM307.9 million (2010: RM356.5 million) that are past due at the reporting date but not impaired. Of these, RM3.7 million (2010: RM3.1 million) of trade receivables are secured by bank guarantees and deposits at the reporting date.

In addition, trade receivables due from Government of Malaysia amounted to RM203.8 million (2010: RM218.4 million) at the reporting date.

Notes to the Financial Statements

26. RECEIVABLES (CONT'D.)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:-

	Collectively impaired RM Million	Individually impaired RM Million	Total RM Million
Group – 2011			
Trade receivables – nominal	2.5	55.7	58.2
Allowance for impairment	(2.5)	(44.7)	(47.2)
Total	–	11.0	11.0

Group – 2010

Trade receivables – nominal	3.0	55.5	58.5
Allowance for impairment	(3.0)	(46.4)	(49.4)
Total	–	9.1	9.1

Movement in allowance accounts:-

	2011 RM Million	2010 RM Million
Group		
At 1 January	49.4	59.7
Impairment loss (Note 5)	6.7	8.5
Reversal of impairment loss (Note 5)	(5.2)	(6.2)
Written off	(3.1)	(12.2)
Foreign currency translation difference	(0.6)	(0.4)
At 31 December	47.2	49.4

Trade receivables that are individually impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

27. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Deposits with financial institutions	798.2	256.7	–	–
Cash held under Housing Development Accounts	58.3	35.5	–	–
Cash and bank balances	284.2	132.3	3.8	6.9
	1,140.7	424.5	3.8	6.9

The deposits are on call, and carry a weighted average interest rate of 2.9% (2010: 2.8%) per annum.

The average maturity periods of the Group's fixed deposits with financial institutions are 26 days (2010: 43 days). Bank balances are monies placed in current accounts with licensed banks which do not earn any interest.

Deposits with a financial institution of a Subsidiary amounting to RM500 million have been pledged as security for a bank guarantee facility.

28. DISPOSAL GROUP HELD FOR SALE

	Assets		Liabilities	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Group				
At 1 January	91.7	565.5	–	239.7
Reclassification of amounts in respect of assets to be disposed	50.7	91.7	4.8	–
Disposal during the year	(91.7)	(565.5)	–	(239.7)
At 31 December	50.7	91.7	4.8	–
Company				
At 1 January	53.5	–	–	–
Reclassification of amounts in respect of assets to be disposed	–	53.5	–	–
Disposal during the year	(53.5)	–	–	–
At 31 December	–	53.5	–	–

Notes to the Financial Statements

28. DISPOSAL GROUP HELD FOR SALE (CONT'D.)

As at 31 December 2011, the assets and liabilities of the disposal group classified as held for sale as referred to in Note 42(k) are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Assets				
Property, plant and equipment (Note 12)	27.6	91.7	–	53.5
Biological assets (Note 13)	6.0	–	–	–
Prepaid land lease payments (Note 16)	6.8	–	–	–
Inventories	2.7	–	–	–
Trade and other receivables	6.8	–	–	–
Deposits, cash and bank balances	0.8	–	–	–
	50.7	91.7	–	53.5
Liabilities				
Trade and other payables	(4.8)	–	–	–

29. SHARE CAPITAL

	2011		2010	
	Million	RM Million	Million	RM Million
Ordinary shares of RM0.50 each				
Authorised	2,000.0	1,000.0	2,000.0	1,000.0
Issued and fully paid				
At 1 January	940.2	470.1	911.4	455.7
Issue of shares during the year	–	–	28.8	14.4
At 31 December	940.2	470.1	940.2	470.1

30. NON-DISTRIBUTABLE RESERVES

	Share premium RM Million	Revaluation and fair value reserves RM Million	Statutory reserve RM Million	Other reserves RM Million	Total RM Million
Group					
At 1 January 2010	1,163.6	135.4	173.9	119.0	1,591.9
Total comprehensive income for the year	–	49.2	–	(4.2)	45.0
Transfer during the year	–	–	23.0	–	23.0
Issue of shares during the year	48.5	–	–	–	48.5
At 31 December 2010	1,212.1	184.6	196.9	114.8	1,708.4
Total comprehensive income for the year	–	32.5	–	1.5	34.0
Transfer during the year	–	–	28.5	0.1	28.6
Partial disposal of a Subsidiary	–	–	–	(0.2)	(0.2)
At 31 December 2011	1,212.1	217.1	225.4	116.2	1,770.8

The breakdown of the revaluation and fair value reserves is as follows:-

	Group 2011 RM Million	2010 RM Million
Revaluation reserve	41.6	41.6
Fair value reserve	175.5	143.0
	217.1	184.6

The revaluation reserve represents increases in the fair value of freehold land and buildings, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

Fair value reserve represents the cumulative fair value changes, net of tax, of available for sale financial assets until they are disposed of or impaired.

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 non-controlling interests.

Notes to the Financial Statements

31. RETAINED EARNINGS

Under the single tier system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Under this system, all the Company's retained earnings are distributable by way of single tier dividends and tax on the Company's profit is the final tax and dividend distributed to shareholders will be exempted from tax.

32. BORROWINGS

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Non-current				
Term loans				
– Denominated in US Dollars	71.1	39.2	–	–
– Denominated in Indonesian Rupiah	37.3	–	–	–
– Denominated in Malaysian Ringgit	749.3	472.3	97.5	32.5
	857.7	511.5	97.5	32.5
Bank guaranteed medium term notes	674.1	414.5	674.1	414.5
	1,531.8	926.0	771.6	447.0
Repayable in 1 year	(372.5)	(238.6)	(40.0)	(10.0)
	1,159.3	687.4	731.6	437.0
Current				
Overdrafts	51.6	26.2	19.7	1.8
Bankers' acceptances	367.0	163.8	–	–
Revolving credits				
– Denominated in US Dollars	36.2	–	–	–
– Denominated in Malaysian Ringgit	3,108.9	2,047.2	1,029.0	565.0
Short term loans	372.5	238.6	40.0	10.0
	3,936.2	2,475.8	1,088.7	576.8
Total borrowings	5,095.5	3,163.2	1,820.3	1,013.8

32. BORROWINGS (CONT'D.)

The Company has a term loan of RM75.0 million (2010: Nil) which is repayable by quarterly instalments over 2 years beginning 19 April 2012. Another term loan of RM22.5 million (2010: RM32.5 million) is repayable by quarterly instalments from 1 May 2009.

The bank guaranteed medium term notes (MTN) comprise five series with maturity dates ranging from 3 years to 5 years from the date of issue. The MTN which are repayable on maturity, have a long term rating of AAA(bg) and bear interest at the weighted average effective interest rate of 5.9% (2010: 6.0%) per annum. The MTN have been accounted for in the statement of financial position of the Group and of the Company as follows:

	2011 RM Million	2010 RM Million
Nominal value	678.0	419.0
Accrued interest and transaction cost less payments	(3.9)	(4.5)
Carrying amount	674.1	414.5

A Subsidiary has a term loan amounting to RM34.6 million (2010: RM87.0 million) which is repayable by quarterly instalments over a period of 4 years from the date of first drawdown of 6 July 2007, a term loan amounting to RM50.0 million (2010: RM50.0 million) which is repayable by 16 monthly instalments beginning 29 December 2011 and a term loan amounting to RM20.2 million (2010: RM32.2 million) which is repayable by 52 monthly instalments beginning 29 June 2009. Proceeds from the contract with the Government of Malaysia were assigned to these loans.

A Subsidiary has a term loan of RM285.0 million (2010: Nil) which is repayable over 20 half yearly instalments beginning 14 April 2012. The term loan is secured by five aircrafts of the Subsidiary, proceeds account and the said Subsidiary's present and future rights, title, benefit and interest in and under the lease agreement of those aircrafts.

A Subsidiary has a term loan denominated in US Dollars equivalent to RM30.8 million (2010: Nil) which is repayable by quarterly instalments over a period of 5 years beginning 23 December 2011 is secured against vessels under construction. Another term loan of RM8.7 million (2010: RM10.6 million) which is repayable by monthly instalments over a period of 5 years beginning 18 April 2011 is secured by an equipment under property, plant and equipment.

All the other borrowings are unsecured. Other information on financial risks of the borrowings are disclosed in Note 36.

Notes to the Financial Statements

33. PAYABLES

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Non-current				
Deposit from tenants	27.4	26.1	–	–
Non-hedging derivatives (Note 37)	0.1	0.2	–	–
	27.5	26.3	–	–
Current				
Trade payables	1,043.7	665.6	–	0.5
Accrued interest	36.9	22.4	2.6	2.1
Accrued expenses	271.7	213.2	–	–
Deposits received	63.2	51.4	1.6	1.6
Retention sum	0.5	0.9	–	–
Consideration payable on additional investment in a Subsidiary (Note 42(g))	48.9	–	–	–
Advance from a customer	500.0	–	–	–
Other payables	208.2	144.1	5.8	10.5
Non-hedging derivatives (Note 37)	0.4	1.3	–	–
Amount due to holding corporation	1.8	–	–	–
Amounts due to Subsidiaries	–	–	498.0	206.9
Amounts due to Associates	1.6	0.9	–	–
Amounts due to other related companies	0.6	0.5	–	–
	2,177.5	1,100.3	508.0	221.6

(a) Trade payables

Included in trade payables is an amount of RM50.6 million (2010: RM107.5 million) due to the corporate shareholders of a Subsidiary. Trade payables are non-interest bearing, with normal credit terms ranging from 30 to 90 days.

(b) Other payables

These amounts are non-interest bearing, with normal credit terms ranging from 30 to 90 days.

(c) Amounts due to Subsidiaries

These amounts are unsecured, bear interest at a weighted average rate of 6.0% (2010: 6.6%) per annum and repayable on demand.

(d) Amounts due to Associates and other related companies

These are trade balances which are unsecured and interest free with repayment in accordance with normal trading terms.

34. SEGMENTAL INFORMATION

For management purposes, the Group's business is organised based on the activities, products and services under the following six Divisions:

(a) Plantation Division

The Division is primarily involved in the planting of oil palm and processing of crude palm oil. In addition, the Division through its Associate, is also involved in the research in oil palm tissue culture and genetics.

(b) Heavy Industries Division

The Division has its main thrust in the marine sector, both commercial and naval vessels. This Division's operations include shipbuilding, fabrication of offshore structures as well as the restoration and maintenance of vessels and defence related products. The Division is also involved in air transportation and flight services.

(c) Property Division

The Division is in the business of property development, constructing and leasing out of commercial and retail properties as well as the owning and operating of hotels. These two segments are managed and reported internally as one segment, as they are regarded by management to exhibit similar economic characteristics.

(d) Finance & Investment Division

The Division comprises the investing activity of the Group, in particular the Group's involvement in the commercial, Islamic and investment banking, stock broking as well as the life and general insurance business through its Associate.

(e) Pharmaceutical Division

The Division is in the business of manufacturing, trading and marketing of pharmaceutical products, research and development of pharmaceutical products and the supply of medical and hospital equipment.

(f) Trading & Manufacturing Division

The Division is engaged in the owning and operating of the BHPetrol brand of oil retail petroleum network and the manufacturing and trading of building materials. The Division also engages in engineering fabrication, trading of engineering equipment as well as the business of travel and shipping.

Transfer pricing between operating segments are on arms length basis. Inter-segment revenue which represents rental charge of office premises and trading of the Group's manufactured goods are eliminated on consolidation. The Group practises central fund management where surplus funds within the Group are on-lent, and the interest charges arising from such arrangements are eliminated in full.

The Group's revenue from one major customer amount to RM892.1 million (2010: RM1,026.0 million) arising from activities of the Heavy Industries Division. The Group operates primarily in Malaysia.

Notes to the Financial Statements

34. SEGMENTAL INFORMATION (CONT'D.)

Management monitors the operating results of the six Divisions for the purpose of making decisions about resource allocation and performance assessment. Segment result is evaluated based on operating profit or loss set out in the following table:

	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma- ceutical RM Million	Trading & Manu- facturing RM Million	Elimination RM Million	Total RM Million
2011								
Revenue								
Group total sales	1,031.3	1,094.5	476.0	105.0	1,257.7	4,618.6	(27.3)	8,555.8
Inter-segment sales	-	-	(27.3)	-	-	-	27.3	-
External sales	1,031.3	1,094.5	448.7	105.0	1,257.7	4,618.6	-	8,555.8
Results								
Segment result								
– external	245.2	46.7	102.7	(8.0)	92.0	130.7	-	609.3
Interest income	21.7	2.6	5.0	35.6	0.6	12.3	(69.5)	8.3
Other investment results	34.3	40.6	111.6	(4.2)	(0.2)	6.0	-	188.1
Finance cost	(8.7)	(88.0)	(20.1)	(92.5)	(24.7)	(36.5)	69.5	(201.0)
Share of results of Associates	6.3	(0.6)	11.7	114.4	(0.2)	0.1	-	131.7
	298.8	1.3	210.9	45.3	67.5	112.6	-	736.4
Profit on disposal of plantation assets								94.6
Profit before tax								831.0
Income tax expense								(99.1)
Profit for the year								731.9

34. SEGMENTAL INFORMATION (CONT'D.)

	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma- ceutical RM Million	Trading & Manu- facturing RM Million	Elimination RM Million	Total RM Million
2010								
Revenue								
Group total sales	806.5	1,166.0	414.7	198.8	93.4	3,527.1	(24.7)	6,181.8
Inter-segment sales	–	–	(15.9)	(8.8)	–	–	24.7	–
External sales	806.5	1,166.0	398.8	190.0	93.4	3,527.1	–	6,181.8
Results								
Segment result								
– external	155.0	188.9	103.0	(3.9)	25.5	113.5	–	582.0
Interest income	14.8	0.9	6.9	23.4	–	11.0	(52.8)	4.2
Other investment results	16.7	–	50.0	73.6	–	6.3	–	146.6
Finance cost	(9.5)	(40.2)	(24.3)	(50.7)	(4.7)	(37.0)	52.8	(113.6)
Share of results of Associates	5.7	(3.4)	2.9	101.7	–	0.1	–	107.0
Profit before tax	182.7	146.2	138.5	144.1	20.8	93.9	–	726.2
Income tax expense								(101.3)
Profit for the year								624.9

Notes to the Financial Statements

35. CONTINGENT LIABILITIES

- (a) On 30 March 2011, Boustead Plantations Berhad (BPlant) and Boustead Pelita Kanowit Plantations Sdn Bhd (BPK) were named as the 4th and 5th Defendants respectively to Sibu High Court Suit No.21-7-2009 in relation to a claim filed by 5 individuals suing on behalf of themselves and 163 other proprietors, occupiers and claimants of the Native Customary Rights lands (NCR) (Plaintiffs) situated in Sg Kelimut, Kanowit District, also known as Block D1 in Kanowit District, described as Kelimut Estate (NCR Lands) against Pelita Holdings Sdn Bhd (1st Defendant), the Superintendent of Lands and Surveys, Sibu Sarawak, (2nd Defendant) and the State Government of Sarawak (3rd Defendant) for inter-alia, a declaration that the trust deed between the Plaintiffs and the 1st and 3rd Defendants are null and void, damages and costs.

BPK is a joint venture set up between BPlant and NCR owners for the development of the oil palm plantations in Kanowit, Sarawak as formalised in a joint venture agreement dated 6 May 1998 between BPlant and the 1st Defendant.

Hearing of the case is ongoing, and based on the facts of the case, the Group is of the view that BPlant and BPK have a good defence to the claim by the Plaintiffs.

- (b) In 2004, Pharmaniaga Berhad (Pharmaniaga) and Safire Pharmaceuticals Sdn Bhd (Safire), now a subsidiary of Pharmaniaga were named the 4th and 3rd Defendants by two of the former directors of Safire, as part of their counter claim and defence against a legal suit filed against them by Danaharta Urus. On 22 July 2011, the court struck off/dismissed the case in favour of Safire/Pharmaniaga with costs of RM5,000 to be paid. The hearing at the Federal Court has been fixed for 13 March 2012. The Group, upon consultation with the solicitors, is of the opinion that the positions of Safire/Pharmaniaga are defendable.
- (c) The Group's Subsidiary, Boustead Naval Shipyard Sdn Bhd (BNS), had on 25 March 2011 been served with a Writ of Summons dated 13 January 2011 and Amended Statement of Claim dated 10 March 2011 by Meridien Shore Sdn Bhd (In Liquidation) (Meridien). Under the said Writ of Summons, Meridien is claiming against BNS for specific damages in the amount of RM49,577,510.10, interest at 8% per annum on the said amount of RM49,577,510.10, general damages, cost and other relief that the Court deems fit over alleged losses suffered by Meridien arising from foreclosure of several of its lands in Johor (Lands) by Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat). Meridien is alleging that it had created third party charges over the Lands as a form of security for a financing facility granted by Bank Rakyat to BNS for the sum of RM15 million. It was also alleged by Meridien that Bank Rakyat foreclosed and auctioned off the Lands because BNS had defaulted on its repayment obligations to Bank Rakyat.

BNS has filed an application on Security for Cost on 11 January 2012 and the Court has fixed the matter for hearing on 17 December 2012. Solicitors have been appointed to handle this case and the Group, in consultation with the solicitors, are of the view that BNS has a good defence to the claim by Meridien.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate, liquidity, credit, foreign exchange and market price 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 performance of the Group.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and Chief Financial Officer of the respective operating units. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use to hedge transaction exposure where appropriate and cost efficient. The Group and the Company do not apply hedge accounting.

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.

The following tables set out the carrying amounts, the weighted average effective interest rate (WAEIR) as at the reporting date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

Notes to the Financial Statements

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Interest rate risk (cont'd.)

Group	Note	WAEIR %	1 year or less RM Million	1 to 2 years RM Million	2 to 5 years RM Million	More than 5 years RM Million	Total RM Million
At 31 December 2011							
Fixed rate							
Financial assets:							
Deposits	27	2.9	798.2	–	–	–	798.2
Financial liabilities:							
Term loans	32	7.6	(87.9)	(16.2)	(8.1)	–	(112.2)
Bank guaranteed medium term notes	32	5.9	–	–	(674.1)	–	(674.1)
Floating rate							
Financial liabilities:							
Term loans	32	4.9	(284.6)	(182.7)	(135.7)	(142.5)	(745.5)
Overdrafts	32	7.4	(51.6)	–	–	–	(51.6)
Revolving credits	32	4.8	(3,145.1)	–	–	–	(3,145.1)
Bankers' acceptances	32	3.7	(367.0)	–	–	–	(367.0)
At 31 December 2010							
Fixed rate							
Financial assets:							
Deposits	27	2.8	256.7	–	–	–	256.7
Financial liabilities:							
Term loans	32	6.4	(105.7)	(29.4)	(43.5)	–	(178.6)
Bank guaranteed medium term notes	32	6.0	–	–	(414.5)	–	(414.5)
Floating rate							
Financial liabilities:							
Term loans	32	4.4	(132.9)	(52.6)	(147.4)	–	(332.9)
Overdrafts	32	6.9	(26.2)	–	–	–	(26.2)
Revolving credits	32	4.5	(2,047.2)	–	–	–	(2,047.2)
Bankers' acceptances	32	3.5	(163.8)	–	–	–	(163.8)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Interest rate risk (cont'd.)

Company	Note	WAEIR %	1 year or less RM Million	1 to 2 years RM Million	2 to 5 years RM Million	Total RM Million
At 31 December 2011						
Fixed rate						
Financial liabilities:						
Term loans	32	6.9	(10.0)	(10.0)	(2.5)	(22.5)
Bank guaranteed medium term notes	32	5.9	–	–	(674.1)	(674.1)
Floating rate						
Financial assets:						
Amounts due from Subsidiaries	26	6.5	508.9	–	–	508.9
Financial liabilities:						
Term loans	32	5.2	(30.0)	(40.0)	(5.0)	(75.0)
Overdrafts	32	7.8	(19.7)	–	–	(19.7)
Revolving credits	32	4.8	(1,029.0)	–	–	(1,029.0)
Amounts due to Subsidiaries	33	6.0	(498.0)	–	–	(498.0)
At 31 December 2010						
Fixed rate						
Financial liabilities:						
Term loans	32	6.9	(10.0)	(10.0)	(12.5)	(32.5)
Bank guaranteed medium term notes	32	6.0	–	–	(414.5)	(414.5)
Floating rate						
Financial assets:						
Amounts due from Subsidiaries	26	5.0	70.1	–	–	70.1
Financial liabilities:						
Overdrafts	32	7.1	(1.8)	–	–	(1.8)
Revolving credits	32	4.5	(565.0)	–	–	(565.0)
Amounts due to Subsidiaries	33	6.6	(206.9)	–	–	(206.9)

Notes to the Financial Statements

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Interest rate risk (cont'd.)

Interest on borrowings that are subject to floating rates are contractually repriced within a year. Interest on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks except as discussed below.

The Group had entered into interest rate swap contract to hedge exposure to movements in interest rate on a financing transaction. The differential in interest rates to be paid over the term of the financing is recognised in the profit or loss as part of interest expense. As at the reporting date, the notional amount and maturities are as follows:

	Group 2011 RM Million	2010 RM Million
Notional amount of interest rate swap:		
Not more than 1 year	25.0	25.0
Later than 1 year and not later than 5 years	12.5	37.5
	37.5	62.5

The interest rate swap contract matures over 5 quarterly maturity periods commencing from 5 February 2012 with the fixed interest rate of 4.35% per annum.

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM16.2 million and RM6.1 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate fixed deposits and lower/higher positive fair value of an interest rate swap. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Liquidity risk

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

The table below summarises the maturity profile of the Group's and Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Note	On demand or within one year RM Million	One to five years RM Million	More than 5 years RM Million	Total RM Million
Group					
2011					
Trade and other payables	33	2,177.1	27.4	–	2,204.5
Borrowings	32	4,187.9	1,177.0	151.3	5,516.2
Liabilities directly associated with disposal group classified as held for sale	28	4.8	–	–	4.8
Derivatives	33	0.4	0.1	–	0.5
Total undiscounted financial liabilities		6,370.2	1,204.5	151.3	7,726.0
2010					
Trade and other payables	33	1,099.0	26.1	–	1,125.1
Borrowings	32	2,588.4	787.4	–	3,375.8
Derivatives	33	1.3	0.2	–	1.5
Total undiscounted financial liabilities		3,688.7	813.7	–	4,502.4

Notes to the Financial Statements

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Liquidity risk (cont'd.)

	Note	On demand or within one year RM Million	One to five years RM Million	Total RM Million
Company				
2011				
Trade and other payables	33	508.0	–	508.0
Borrowings	32	1,182.4	839.4	2,021.8
Total undiscounted financial liabilities		1,690.4	839.4	2,529.8
2010				
Trade and other payables	33	221.6	–	221.6
Borrowings	32	603.0	527.8	1,130.8
Total undiscounted financial liabilities		824.6	527.8	1,352.4

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.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

As at 31 December 2011, the Group has a significant concentration of credit risk in the form of outstanding balance due from the Government of Malaysia, representing approximately 56.3% (2010: 48.4%) of the Group's total net trade receivables.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Credit risk (cont'd.)

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 26. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are entered into or placed with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 26.

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. 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 cost. The currency giving rise to this risk is primarily US Dollar, Euro and Indonesian Rupiah. Foreign exchange exposures are kept to an acceptable level.

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currency are as follows:

	Deposits, cash and bank balances RM Million	Receivables RM Million	Payables RM Million	Borrowings RM Million	Total RM Million
At 31 December 2011					
US Dollar	4.1	36.2	(274.0)	(107.3)	(341.0)
Euro	144.8	8.6	(55.9)	–	97.5
Indonesian Rupiah	7.2	58.7	(39.6)	(37.3)	(11.0)
Others	0.1	1.4	(7.2)	–	(5.7)
	156.2	104.9	(376.7)	(144.6)	(260.2)
At 31 December 2010					
US Dollar	3.1	40.6	(239.4)	(39.2)	(234.9)
Euro	1.1	230.2	(171.7)	–	59.6
Others	0.4	4.3	(8.8)	–	(4.1)
	4.6	275.1	(419.9)	(39.2)	(179.4)

Notes to the Financial Statements

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Foreign currency risk (cont'd.)

Impact arising from a reasonably possible change in the US Dollar, Euro and Indonesian Rupiah exchange rates of 5% against the respective functional currencies of the Group's entities would be insignificant.

Market price risk

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. All of the Group's quoted equity instruments are listed on Bursa Malaysia. These instruments are classified as available-for-sale financial assets.

At the reporting date, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the impact to the Group's other reserve in equity would be insignificant.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<u>Note</u>
Trade and other receivables (current)	26
Amount due from holding corporation	26
Amounts due from Subsidiaries	26
Amounts due from Associates	26
Amounts due from other related companies	26
Trade and other payables (current)	33
Other payables (non-current)	33
Amounts due to Subsidiaries	33
Amounts due to Associates	33
Amounts due to other related companies	33
Borrowings (current)	32
Borrowings (non-current)	32

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of fair value (cont'd.)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of the current portion of borrowings is reasonable approximation of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The fair values of amounts due from/to Subsidiaries, amounts due from/to Associates and fixed rate bank borrowings are estimated by discounting the expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The fair value of quoted equity instruments is determined directly by reference to their published market closing price at the reporting date.

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

Fair value hierarchy

Presented below is the Group's and the Company's classified financial instruments carried at fair value by level of the following fair value measurement hierarchy:

- (i) Level 1 - Unadjusted quoted prices in active market for identical financial instrument
- (ii) Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
- (iii) Level 3 - Inputs that are not based on observable market data

Notes to the Financial Statements

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hierarchy (cont'd.)

	Level 1 RM Million	Level 2 RM Million	Total RM Million
Group			
2011			
Financial assets			
Investments	592.6	-	592.6
Forward currency contracts	-	0.3	0.3
Total financial assets carried at fair value	592.6	0.3	592.9
Financial liabilities			
Interest rate swap	-	(0.5)	(0.5)
Total financial liabilities carried at fair value	-	(0.5)	(0.5)
2010			
Financial assets			
Investments	527.7	-	527.7
Total financial assets carried at fair value	527.7	-	527.7
Financial liabilities			
Forward currency contracts	-	(0.6)	(0.6)
Interest rate swap	-	(0.9)	(0.9)
Total financial liabilities carried at fair value	-	(1.5)	(1.5)

The Group does not have any financial assets or financial liabilities measured at Level 3 hierarchy.

The investment in quoted shares for the Company amounting to RM5.5 million (2010: RM5.2 million) is measured at Level 1 hierarchy.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)**Derivatives**

	2011	Fair	2010	Fair
	Contract/ notional amount RM Million	value of derivatives RM Million	Contract/ notional amount RM Million	value of derivatives RM Million
Non-hedging derivative assets (Note 26)				
Forward currency contracts	263.9	0.3	–	–
Total derivatives assets	263.9	0.3	–	–
Non-hedging derivative liabilities (Note 33)				
Current				
Forward currency contracts	–	–	225.7	(0.6)
Interest rate swap	25.0	(0.4)	25.0	(0.7)
	25.0	(0.4)	250.7	(1.3)
Non-Current				
Interest rate swap	12.5	(0.1)	37.5	(0.2)
Total derivative liabilities	37.5	(0.5)	288.2	(1.5)

Notes to the Financial Statements

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Derivatives (cont'd.)

The Group uses forward currency contracts and interest rate swap to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for period consistent with currency transaction exposure and fair value changes exposure. The Group does not apply hedge accounting.

Forward currency contracts are used to hedge the Group's purchases denominated in US Dollar for which firm commitments existed at the reporting date.

The interest rate swap is used to hedge cash flow interest rate risk arising from a floating rate bank borrowing of RM37.5 million (2010: RM62.5 million). This interest rate swap receives floating interest equal to 3 months KLIBOR % (2010: 3 months KLIBOR %) per annum, pays a fixed rate interest of 4.35% (2010: 4.35%) per annum and has the same maturity terms as the bank borrowing.

As disclosed in Note 5 to the financial statements, the Group recognised a gain of RM23.2 million (2010: RM1.2 million) arising from the fair value changes in derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot, foreign exchange forward rates and interest rate. The methods and assumptions applied in determining the fair values of derivatives are disclosed above.

38. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 32) over shareholders' equity. At the reporting date, the Group's gearing ratio is 1.14 times (2010: 0.75 times). The Group's policy is to keep gearing within manageable levels.

With respect to banking facilities that the Group has with certain financial institutions, the Group is committed to ensure that the maximum gearing ratio limit of 1.5 times calculated by dividing the amount of borrowings (Note 32) over the aggregate of the equity held by shareholders and non-controlling interests is complied with at all times.

39. COMMITMENTS

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Authorised and contracted				
Acquisition of a Subsidiary	–	599.1	–	599.1
Capital expenditure	451.4	368.2	–	–
	451.4	967.3	–	599.1
Authorised but not contracted				
Acquisition of a Subsidiary	–	100.0	–	100.0
Capital expenditure	843.9	300.2	1.2	1.2
	843.9	400.2	1.2	101.2

40. OPERATING LEASE OBLIGATION

Group as a lessee

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

- (a) On 21 March 2011, the Group sold to Al-Hadharah Boustead REIT (Boustead REIT) its beneficial rights, title and interest in TRP Estate, Trong Oil Mill and Sutera Estate. Following the disposal, the Group entered into several Ijarah agreements with the trustee of Boustead REIT to rent these plantation assets for a non-cancellable period from 1 April 2011 to 31 December 2012. The tenancy is further renewable for a maximum period of 27 years.
- (b) On 11 December 2008, the Group sold to Boustead REIT its beneficial rights, title and interest in Bebar Estate and Malakoff Estate. Following the disposal, the Group entered into several Ijarah agreements with the trustee of Boustead REIT to rent these plantation assets for a non-cancellable period of four years, commencing 1 January 2009. The tenancy is further renewable for a maximum period of 24 years.

Notes to the Financial Statements

40. OPERATING LEASE OBLIGATION (CONT'D.)

Group as a lessee (cont'd.)

- (c) On 27 June 2007, the Group sold to Boustead REIT its beneficial rights, title and interest in Lapan Kabu Estate and Lapan 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.
- (d) 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 commenced 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.
- (e) On 7 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 three 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 Options at an exercise price equivalent to the fair value of the plantation assets at the time of the exercise of the Call Options. At the reporting date, the Group has exercised two of the Call Options to purchase several plantation assets and the applicable Ijarah Agreements had lapsed. The third and final Call Option is exercisable in 2012.

In addition, a Subsidiary 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 corporatisation 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.

40. OPERATING LEASE OBLIGATION (CONT'D.)

Group as a lessee (cont'd.)

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

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Within 1 year	119.1	115.0	–	–
Later than 1 year but not later than 5 years	14.2	118.8	–	–
Later than 5 years	21.7	20.7	–	–
	155.0	254.5	–	–

Group as a lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one and three years. All leases include a clause to enable upward revision of the rental charge upon renewal of the leases based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Within 1 year	61.5	64.9	5.4	5.9
Later than 1 year but not later than 5 years	64.3	92.0	5.4	3.8
	125.8	156.9	10.8	9.7

Notes to the Financial Statements

41. 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:

- (a) direct and indirect Subsidiaries;
- (b) holding corporation, Lembaga Tabung Angkatan Tentera (LTAT) and its subsidiaries; direct and indirect Associates;
- (c) direct and indirect Associates;
- (d) 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
- (e) 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.

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

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

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Associates				
Agricultural research and advisory services paid	8.6	6.6	–	–
Insurance premium paid	11.8	11.1	0.2	0.2
Rental income on office premises	16.4	14.2	–	–
Sales of goods	0.2	0.2	–	–
Professional fees paid	2.0	4.0	1.8	4.0
Insurance commission received	2.9	1.5	–	–
Provision of construction works	3.2	–	–	–
Subsidiaries of holding corporation				
Purchase of goods for sale	6.6	4.3	–	–
Sales of goods	14.2	12.0	–	–
Provision of project management services	0.1	1.2	–	–
Rental expense				
– Hotel	12.3	10.5	–	–
– Office premises	1.3	1.1	–	–
Marketing cost	2.0	1.2	–	–
Key management personnel				
Sale of development properties	–	12.7	–	–
Firms in which Directors have a substantial interest				
Legal and professional fees paid	4.2	1.7	0.1	0.1

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

Notes to the Financial Statements

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

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

	Group		Company	
	2011	2010	2011	2010
	RM Million	RM Million	RM Million	RM Million
Directors				
Fees	1.0	0.8	0.4	0.3
Remuneration	3.1	2.5	0.2	0.2
Defined contribution plans	0.5	0.4	–	–
Meeting allowances	0.2	0.2	–	–
Estimated monetary value of benefits-in-kind	0.6	0.6	–	–
	5.4	4.5	0.6	0.5
Other key management personnel				
Short term employee benefits	34.8	28.8	3.2	2.4
Defined contribution plans	4.1	3.3	0.5	0.3
	38.9	32.1	3.7	2.7
Total paid to key management personnel	44.3	36.6	4.3	3.2

Pursuant to agreements between a Subsidiary, its directors and person connected to the director for the sublease of 12,140.6 hectares of leasehold plantation land for a total consideration of RM39 million, the Subsidiary had sub-leased 7,256 (2010: 7,256) hectares of the leasehold plantation land as at 31 December 2011. Balances at year end are as follows:

	Group	
	2011	2010
	RM Million	RM Million
Deposit paid	–	3.2
Retention sum and balance due	–	(2.2)

42. SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) On 25 March 2011, Boustead Holdings Berhad acquired 92,868,619 ordinary shares of RM1.00 each in Pharmaniaga Berhad (Pharmaniaga) representing 86.81% in Pharmaniaga at a price of RM5.75 per share or RM534.0 million from UEM Group Berhad. The Company's interest in Pharmaniaga was further increased to 97.81% on 28 April 2011, through the acquisition of 11,771,692 ordinary shares of RM1.00 each in Pharmaniaga for RM67.7 million or RM5.75 per share by way of a mandatory take-over offer for the remaining ordinary shares of Pharmaniaga not already owned by the Company.

Shares of Pharmaniaga were subsequently suspended from trading on Bursa Malaysia with effect from 10 June 2011. As part of the Company's efforts to address the public shareholder spread of Pharmaniaga, the following initiatives were undertaken:

- (i) On 28 October 2011, the Company distributed 16,042,412 ordinary shares of RM1.00 each in Pharmaniaga to the Company's shareholders pursuant to the dividend-in-specie, on the basis of 1 ordinary share of RM1.00 each in Pharmaniaga for every 57.5 ordinary shares of the Company held. A cash dividend totalling RM1.74 million, equivalent to RM0.10 per share, was paid to those shareholders whose entitlement would be less than 100 shares in Pharmaniaga.
- (ii) On 28 December 2011, the Company disposed of 11,189,106 ordinary shares of RM1.00 each in Pharmaniaga for a cash consideration of RM61.1 million or RM5.46 per share by way of a restricted offer for sale to the Company's shareholders excluding LTAT, on the basis of 1 ordinary share of RM1.00 each in Pharmaniaga for every 24 ordinary shares of the Company held.
- (iii) Divestment (Divestment 1) of 1.5 million ordinary shares of RM1.00 each in Pharmaniaga to LTAT for a cash consideration of RM8.2 million or RM5.46 per share. Divestment 1 was completed on 5 January 2012.
- (iv) Divestment (Divestment 2) of 4 million ordinary shares of RM1.00 each in Pharmaniaga to the Company's Directors and employees for a cash consideration of RM21.8 million or RM5.46 per share. Divestment 2 was completed on 5 January 2012.

Upon completion of the above, the Company's interest in Pharmaniaga was reduced from 97.81% to 67.22%.

The Company's proposed divestment (Divestment 3) of 8 million ordinary shares of RM1.00 each in Pharmaniaga for a cash consideration of RM43.7 million or RM5.46 per share which was approved by shareholders of the Company on 22 December 2011 is still pending.

Notes to the Financial Statements

42. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

- (b) In collaboration with the Company, Pharmaniaga also undertook a bonus issue of 10,697,779 ordinary shares of RM1.00 each, on the basis of 1 new share for every 10 existing ordinary shares held. The bonus issue was completed on 20 February 2012.
- (c) During the year, the Group completed the disposal of Sutera Estate and TRP Estate including Trong Oil Mill (Plantation Assets) to Al-Hadharah Boustead REIT (Boustead REIT) for a cash consideration of RM189.2 million. The Group had also entered into ljarah agreements with Boustead REIT for the leaseback of these Plantation Assets.
- (d) On 28 March 2011 the Company entered into a conditional sale and purchase agreement with DRIR Equities Sdn Bhd and Tulus Sejagat Sdn Bhd for the acquisition of 10,200,000 ordinary shares of RM1.00 each in MHS Aviation Berhad (MHS) comprising 51% of MHS for a total cash consideration of RM100 million. The acquisition was completed on 23 June 2011.
- (e) On 28 December 2011, MHS acquired the entire issued and paid up share capital of Landasan Ria Sdn Bhd comprising 100 ordinary shares of RM1.00 each for a cash consideration of RM100.
- (f) On 28 December 2011, Boustead Building Materials Sdn Bhd (BBM), a wholly-owned Subsidiary of the Company, acquired the Company's stake comprising 8,864,100 ordinary shares of RM1.00 each in Boustead Sissons Paints Sdn Bhd (BSP) representing 70% equity interest in BSP for a cash consideration of RM10.5 million and 3,798,900 ordinary shares of RM1.00 each in BSP representing the remaining 30% equity interest in BSP from LTAT for a cash consideration of RM4.5 million.
- (g) At year end, Idaman Pharma Manufacturing Sdn Bhd (IPMSB) became a wholly owned Subsidiary of Pharmaniaga through the acquisition of the 51% equity interest in IPMSB comprising 12,750,000 ordinary shares of RM1 each from the Company's wholly owned Subsidiary Boustead Idaman Sdn Bhd for a cash consideration of RM50.9 million and the 49% equity interest in IPMSB comprising 12,250,000 ordinary shares of RM1 each from Idaman Pharma Sdn Bhd for a cash consideration of RM48.9 million.
- (h) During the year, the Company issued RM259 million of bank guaranteed medium term notes (MTN), pursuant to the Company's RM1 Billion MTN Programme which was initiated during the previous financial year.
- (i) Pharmaniaga Logistics Sdn Bhd (PLSB), a wholly owned Subsidiary of Pharmaniaga, had on 6 January 2012 entered into a Novation Agreement with Idaman Pharma Sdn Bhd (IPSB) and Idaman Pharma Manufacturing Sdn Bhd (IPMSB) for a cash consideration of RM51,083,000. The Novation Agreement which was approved by Pharmaniaga's shareholders on 22 December 2011 will transfer all of IPSB's rights, benefits, liabilities and obligations under the PLSB-IPSB Supply Agreement to IPMSB.

The Novation Agreement is subject to the confirmation in writing from the Ministry of Finance for the effective and valid transfer of the Adoption Scheme Status from IPSB to IPMSB being obtained in a manner acceptable to Pharmaniaga.

42. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

- (j) On 10 January 2012, the Company's issued and paid up share capital was increased from RM470.1 million to RM517.1 million by way of a bonus issue of 94,015,554 ordinary shares of RM0.50 each on the basis of 1 new share for every 10 existing ordinary shares held.
- (k) On 11 January 2012, Bounty Crop Sdn Bhd (Bounty Crop), a wholly-owned Subsidiary of Boustead Plantations Berhad, which in turn is a wholly-owned Subsidiary of the Company, and Supriadi Zainal entered into a sale and purchase agreement (SPA) with PT Agro Investama Gemilang (PTAIG) for the disposal of 712,576 shares of PT Dendymarker Indahlestari (PTDI) with a nominal value of Rp1,000,000 per share representing 95% of the enlarged issued and paid-up share capital of PTDI after capitalisation of inter company loans, for a total disposal consideration of US\$38,000,000 (or RM119.5 million) in cash. The sum of US\$4 million was received upon signing of the SPA.

The sale is conditional upon:

- (i) Submission and/or obtainment of Badan Koordinasi Penanaman Modal's (BKPM) approval with respect to the change of shareholders of PTDI and the receipt by PTDI of the approval from BKPM along with the recommendation from the Department of Agriculture for the change in the shareholding of PTDI.
- (ii) Completion of the verification exercise by PTAIG to the satisfaction of PTAIG.

On 11 January 2012 Bounty Crop also entered into an Option Agreement with PTAIG. The Option Agreement, subject to the completion of the SPA, will give PTAIG an option to acquire the remaining 5% of the total issued and paid-up capital of PTDI.

43. HOLDING CORPORATION

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

44. AUTHORISATION FOR ISSUANCE OF FINANCIAL STATEMENTS

These financial statements were authorised for issuance by the Board of Directors on 5 March 2012.

Notes to the Financial Statements

45. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown and components of the retained earnings of the Group and of the Company are as follows:

	2011		2010	
	Group RM Million	Company RM Million	Group RM Million	Company RM Million
Total retained earnings of the Company and Subsidiaries				
Realised	2,236.9	318.3	1,969.9	446.3
Unrealised	236.2	8.7	155.3	13.2
	2,473.1	327.0	2,125.2	459.5
Total share of retained earnings of Associates				
Realised	561.2	–	459.4	–
Unrealised	7.7	–	8.7	–
	3,042.0	327.0	2,593.3	459.5
Consolidation adjustments	(831.5)	–	(543.9)	–
	2,210.5	327.0	2,049.4	459.5

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2011	% 2010
As at 31 December 2011				
SUBSIDIARIES				
Boustead Plantations Berhad	Investment holding and oil palm cultivation	RM124,521,383	100	100
Boustead Properties Berhad	Investment holding and property investment	RM255,199,031	100	100
Pharmaniaga Berhad**	Investment holding	RM106,977,788	67	–
Boustead Heavy Industries Corporation Berhad	Investment holding	RM248,457,612	65	65
Boustead Naval Shipyard Sdn Bhd	Construction, repair and maintenance of naval and merchant ships	RM130,000,003	82	82
UAC Berhad**	Fibre cement products	RM74,408,000	65	65
Boustead Rimba Nilai Sdn Bhd	Cultivation and processing of oil palm	RM100,000,000	100	100
Bounty Crop Sdn Bhd	Investment holding	RM70,200,000	100	100
Boustead Segaria Sdn Bhd	Oil palm cultivation	RM18,000,520	100	100
Boustead Emastulin Sdn Bhd	Cultivation and processing of oil palm and automobile dealership	RM17,000,000	100	100
Boustead Credit Sdn Bhd	Hire purchase and lease financing	RM15,000,000	100	100
Boustead Eldred Sdn Bhd	Oil palm cultivation	RM15,000,000	100	100
Boustead Engineering Sdn Bhd	Engineering equipment and chemicals distributor	RM8,000,000	100	100
Boustead Trunkline Sdn Bhd	Oil palm cultivation	RM7,000,000	100	100
Boustead Global Trade Network Sdn Bhd	Insurance agent	RM3,000,000	100	100

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2011	% 2010
As at 31 December 2011				
SUBSIDIARIES (CONT'D.)				
Boustead Weld Quay Sdn Bhd	Property investment	RM100,000,000	100	100
Boustead Gradient Sdn Bhd	Cultivation and processing of oil palm	RM3,000,000	100	100
Boustead Travel 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	RM3,000,000	100	100
Boustead Information Technology Sdn Bhd	Computer services	RM1,000,000	100	100
Boustead Construction Sdn Bhd	Project management	RM1,000,000	100	100
Boustead Sungai Manar Sdn Bhd	Property investment	RM4,500,000	100	100
Mutiara Rini Sdn Bhd	Property developer	RM75,000,000	100	100
Boustead Balau Sdn Bhd	Property developer	RM30,000,000	100	100
Boustead Curve Sdn Bhd	Property investment	RM150,000,000	100	100
Damansara Entertainment Centre Sdn Bhd	Property investment	RM30,000,000	100	100
Boustead Hotels & Resorts Sdn Bhd	Hotel operations	RM75,000,000	100	100
Boustead Realty Sdn Bhd	Property investment	RM100,000,000	100	100
Boustead Weld Court Sdn Bhd	Property investment	RM20,000,000	100	100
Nam Seng Bee Hoon Sdn Bhd	Property investment	RM20,000,000	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 cultivation	RM200,000	100	100

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2011	% 2010
AB Shipping Sdn Bhd	Shipbroker	RM45,000	100	100
Bestari Marine Sdn Bhd	Marine surveys and consultancy	RM35,000	100	100
Boustead Telok Sengat Sdn Bhd	Cultivation and processing of oil palm	RM9,184,000	100	100
Boustead Building Materials Sdn Bhd	Building products distributor and project management	RM10,000,000	100	100
PT Dendymarker Indahlestari+ **	Cultivation and processing of oil palm	Rp160,067,000,000	99	99
Boustead Pelita Kanowit Oil Mill Sdn Bhd	Processing of oil palm	RM30,000,000	70	70
Boustead Sedili Sdn Bhd	Oil palm cultivation	RM6,150,000	70	70
Midas Mayang Sdn Bhd	Property investment	RM10,000,000	80	80
Title Winner Sdn Bhd	Property investment	RM100,000	80	80
Boustead Sissons Paints Sdn Bhd	Paint manufacturer	RM12,663,000	100	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	Cultivation of oil palm	RM34,560,000	60	60
Boustead Pelita Tinjar Sdn Bhd	Cultivation and processing of oil palm	RM48,000,000	60	60
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM154,960,000	66	66
Boustead DCP Sdn Bhd	Manufacture of chilled water	RM12,000,000	100	100
Bakti Wira Development Sdn Bhd	Investment holding	RM75,000	100	100

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2011	% 2010
As at 31 December 2011				
SUBSIDIARIES (CONT'D.)				
Pharmaniaga Manufacturing Berhad**	Manufacture of pharmaceutical products	RM10,000,000	67	–
Pharmaniaga Logistics Sdn Bhd**	Procurement and distribution of pharmaceutical and medical products	RM40,000,000	67	–
Pharmaniaga Marketing Sdn Bhd**	Marketing of pharmaceutical products	RM3,000,000	67	–
Pharmaniaga LifeScience Sdn Bhd**	Manufacture of pharmaceutical products	RM3,000,000	67	–
Pharmaniaga Research Centre Sdn Bhd**	Pharmaceutical research & development	RM100,000	67	–
Pharmaniaga Biomedical Sdn Bhd**	Supply & installation of medical and hospital equipment	RM8,000,000	67	–
Idaman Pharma Manufacturing Sdn Bhd	Manufacture of pharmaceutical products	RM25,000,000	67	51
Pharmaniaga International Corporation Sdn Bhd	Investment holding	RM12,000,000	67	–
PT Millennium Pharmacon International Tbk**+	Distribution of pharmaceutical & diagnostic products and food supplements	Rp72,800,000,000	38	–
UAC Steel Systems Sdn Bhd**	Manufacture, sale and installation of steel roof truss systems	RM1,860,000	65	65
Boustead Penang Shipyard Sdn Bhd	Heavy engineering construction, ship repair and shipbuilding	RM350,000,000	65	65

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2011	% 2010
Perstim Industries Sdn Bhd	Investment holding	RM51,155,724	65	65
BHIC Petroleum Sdn Bhd	Provision of engineering services for oil and gas industry	RM3,000,000	65	65
Dominion Defence & Industries Sdn Bhd	Supply and services of marine and defence related products	RM1,000,000	65	65
BHIC Defence Techservices Sdn Bhd	Provision of maintenance and services for defence related products	RM1,000,000	65	65
BHIC Defence Technologies Sdn Bhd	Investment holding	RM36,579,282	65	65
Naval and Defence Communication System Sdn Bhd	Provision for maintenance and services of telecommunication systems	RM100,000	65	65
BHIC Navaltech Sdn Bhd	In-service support for the maintenance, services and supply of spare parts for vessels	RM10,000,000	65	65
BHIC Electronics and Technologies Sdn Bhd	Provision of maintenance and services for defence weapons and related products	RM2,329,897	65	65
Atlas Defence Technology Sdn Bhd	Supply of electronics and system technology to defence related industry	RM510,000	46	46
Malaysian Heavy Industry Group Sdn Bhd	Investment holding	RM25,000	39	39
PSC Tema Shipyard Limited**@	Heavy engineering, ship repair and fabrication	Cedi4,500,791	39	39

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2011	% 2010
As at 31 December 2011				
SUBSIDIARIES (CONT'D.)				
BHIC MSM Sdn Bhd	Provision for maintenance and repair of MTU products	RM1,000,000	39	39
Boustead DCNS Naval Corporation Sdn Bhd	Vessel maintenance	RM10,000,000	39	39
Contraves Advanced Devices Sdn Bhd	Manufacturing of electronic products	RM5,000,000	33	33
BYO Marine Sdn Bhd**	Construction of vessels	RM100	33	33
BHIC Bofors Asia Sdn Bhd	Providing, supplying and servicing BOFORS weapons system	RM1,000,000	33	33
Boustead Langkawi Shipyard Sdn Bhd (formerly known as Wavemaster-Langkawi Yacht Centre Sdn Bhd)	Repair and maintenance of luxury boats and yachts	RM100,000,000	82	82
Boustead Petroleum Sdn Bhd	Investment holding	RM118,329,300	53	53
Boustead-Anwarsyukur Estate Agency Sdn Bhd	Plantation management	RM500,000	100	100
PT Boustead Indonesia Management Consultancy Services+**	Dormant	Rp1,836,800,000	51	51
Atlas Hall Sdn Bhd	Oil and gas engineering agency	RM3,265,306	51	51
MHS Aviation Berhad	Provision of air transportation, flight support, engineering and technical services	RM20,000,000	51	–
MHS Assets Sdn Bhd	Leasing of aircrafts	RM10,000,000	51	–
Landasan Ria Sdn Bhd	Dormant	RM100	51	–

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2011	% 2010
Boustead Petroleum Marketing Sdn Bhd**	Marketing of petroleum products	RM229,967,000	37	37
Boustead Idaman Sdn Bhd	Investment holding	RM13,000,000	100	100
Boustead Trading Sdn Bhd***	Dormant	B\$1,000,000	100	100
Boustead Advertising Sdn Bhd	Dormant	RM500,002	100	100
Malaysian Welding Industries Sdn Bhd	Dormant	RM2,500,000	100	75
Safire Pharmaceuticals (M) Sdn Bhd**	Dormant	RM20,000,050	67	—
S.B. Industries (Sdn) Bhd**	Dormant ^{&}	RM5,800,000	65	65
UAC Pipes Sdn Bhd**	Dormant	RM5,000,000	65	65
UAC Masterflange Sdn Bhd**	Dormant	RM2,000,000	65	65
U.K. Realty Sdn Bhd	Ceased operations	RM40,000,000	100	100
Boustead Sutera Sdn Bhd	Ceased operations	RM4,250,000	100	100
Boustead Silasuka Sdn Bhd	Ceased operations	RM10,000,000	100	100
Emasewa Sdn Bhd	Ceased operations	RM1,625,159	100	100
Jernih Rezeki Sdn Bhd	Ceased operations ^{&}	RM5,000,000	51	51

Boustead Group

Name of company*	Principal activities	Paid-up capital	Group interest	
			% 2011	% 2010
As at 31 December 2011				
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 and building products distributor	Kyat2,760,000	50	50
Applied Agricultural Resources Sdn Bhd	Agricultural research and advisory services	RM500,000	50	50
Kao (Malaysia) Sdn Bhd	Toiletries, household products distributor	RM16,000,000	45	45
K'Line Kinkai (Malaysia) Sdn Bhd	Shipping agent	RM500,000	30	30
Cadbury Confectionery Malaysia Sdn Bhd	Chocolate and sugar confectionery manufacturer	RM8,185,000	25	25
Affin Holdings Berhad	Financial services group	RM1,494,575,806	20	20
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	RM42,000,000	30	30
Rakan Riang Sdn Bhd	Operating education and entertainment facilities	RM30,600,000	20	20

* Incorporated in Malaysia unless otherwise indicated

** Subsidiaries not audited by Ernst & Young

*** Incorporated in Brunei

+ Incorporated in Indonesia

^ Incorporated in Myanmar

& Commenced member's voluntary liquidation

@ Incorporated in Ghana

Additional Disclosures

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

(a) Proceeds from the rights issue have been fully utilised as at 29 February 2012:

	Proposed utilisation RM Million	Actual utilised RM Million	To be utilised RM Million
Repayment of bank borrowings	400.0	400.0	–
Working capital and/or acquisition	328.2	328.2	–
Rights issue expenses	1.0	0.9	–
	729.2	729.1	–

(b) Proceeds from issue of the bank guaranteed medium term notes (MTN) have been fully utilised as at 29 February 2012:

	Proposed utilisation RM Million	Actual utilised RM Million	To be utilised RM Million
Repayment of revolving credit loans	69.0	69.0	–
Acquisition of Pharmaniaga	350.0	350.0	–
Acquisition of plantation assets	92.0	92.0	–
General investment and repayment of borrowings	167.0	167.0	–
	678.0	678.0	–

The balance of the MTN programme comprising RM322 million of MTN will be issued in 2012.

2. SHARE BUY BACKS DURING THE FINANCIAL YEAR

The Company did not carry out any share buy back exercises during the financial year ended 31 December 2011.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2011.

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 2011.

Additional Disclosures

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 2011.

6. NON-AUDIT FEES

	Group RM'000	Company RM'000
Non-audit fees paid to the external auditors for the financial year ended 31 December 2011		
Company	472	472
Others	219	–
	691	472

The provision of non-audit services by the external auditors to the Group is both cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants.

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 2011.

8. PROFIT GUARANTEE

There was no profit guarantees given by the Company and its Subsidiaries during the financial year ended 31 December 2011.

9. MATERIAL CONTRACTS

There were no material contracts which had been entered into by the Group involving the interests of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2011 or entered into since the end of the previous financial year.

Recurrent Related Party Transactions

At the Annual General Meeting held on 7 April 2011, 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 3.1.5 of Practice Note No. 12 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2011 pursuant to the Shareholders' Mandate are disclosed as follows:

Related party	Interested Director/ connected person	Nature of transactions	Actual transactions
Boustead Sissons Paints Sdn Bhd	Tan Sri Dato' Lodin Wok Kamaruddin Lembaga Tabung Angkatan Tentera (LTAT)	Sales of paints to Boustead Building Materials Sdn Bhd, Boustead Petroleum Marketing Sdn Bhd, Boustead Properties Berhad and UAC Berhad	7.0
Boustead Naval Shipyards Sdn Bhd	Tan Sri Dato' Lodin Wok Kamaruddin Datuk Azzat Kamaludin LTAT	Shipbuilding and ship repair works provided to Boustead Heavy Industries Corporation Berhad	0.7
Boustead Heavy Industries Corporation Berhad	Tan Sri Dato' Lodin Wok Kamaruddin Dato' Ghazali Mohd Ali Datuk Azzat Kamaludin LTAT	Sale of equipment and machinery for ship related activities to Boustead Naval Shipyards Sdn Bhd Shipbuilding and ship repair works provided to Boustead Naval Shipyards Sdn Bhd	13.8 126.5
Affin Holdings Berhad Group	Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) Tan Sri Dato' Lodin Wok Kamaruddin Datuk Azzat Kamaludin Dato' Ghazali Mohd Ali LTAT	Office rental for Menara Boustead, Menara Affin and the Curve paid to Boustead Realty Sdn Bhd, Boustead Properties Berhad and Boustead Curve Sdn Bhd	14.1

Recurrent Related Party Transactions

Related party	Interested Director/ connected person	Nature of transactions	Actual transactions
Irat Hotels and Resorts Sdn Bhd	Tan Sri Dato' Lodin Wok Kamaruddin Dato' Ghazali Mohd Ali LTAT	Rental of hotel building paid by Boustead Hotels & Resorts Sdn Bhd	12.3
Johan Ceramics Berhad	Tan Sri Dato' Lodin Wok Kamaruddin Dato' Ghazali Mohd Ali LTAT	Sale of ceramics tiles to Boustead Building Materials Sdn Bhd	6.6
Perwira Niaga Malaysia	Tan Sri Dato' Lodin Wok Kamaruddin LTAT	Purchase of fuel from Boustead Petroleum Marketing Sdn Bhd	13.9
Jendela Hikmat Sdn Bhd	Tan Sri Dato' Lodin Wok Kamaruddin LTAT	Provision of construction works from Boustead Building Materials Sdn Bhd	3.2
Arkitek MAA	Dato' Ghazali Mohd Ali	Architectural services to Boustead Curve Sdn Bhd, Boustead Weld Quay Sdn Bhd, Damansara Entertainment Centre Sdn Bhd, Mutiara Rini Sdn Bhd and Boustead Balau Sdn Bhd	3.2
Azzat & Izzat	Datuk Azzat Kamaludin	Provision of legal services to Boustead Holdings Berhad Group	1.0

Amounts are stated in RM million

Top 30 Properties of the Group

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
The Curve, Jalan PJU 7/3, Mutiara Damansara, Selangor	5.04	Commercial land and building	Freehold	7	522.0	*2011
University of Nottingham in Malaysia, Semenyih Selangor	41.17	University campus	Freehold	6	170.2	2003
Mutiara Rini, Kulai, Johor	356.16	Development land	1912 – 2911		153.7	1995
e@Curve, Jalan PJU 7/3, Mutiara Damansara, Selangor	1.57	Commercial land and building	Freehold	6	150.3	*2011
Menara Affin, 80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office complex	Freehold	13	138.0	*2011
HSD 183245 PT 44575 Mukim Sungai Buluh Selangor	0.88	Hotel under construction	Freehold		123.0	1999
Menara Boustead, 69 Jalan Raja Chulan, Kuala Lumpur	0.43	Office complex	Freehold	26	122.8	2001
Curve NX, Jalan PJU 7/3 Mutiara Damansara Mukim Sungai Buluh, Selangor	0.61	Commercial land and building	Freehold		107.0	*2011
Royale Bintang Kuala Lumpur, 17-21 Jalan Bukit Bintang, Kuala Lumpur	0.31	Hotel	Freehold	14	100.9	2003
183 Ampang, Lot 923, Jalan Ampang, Kuala Lumpur	1.23	43 units of luxury condominium	Freehold	3	90.7	*2011
Royale Bintang Seremban, Lot 20890 and Lot 20745, Bandar Seremban, Daerah Seremban, Negeri Sembilan	2.52	Hotel	Freehold	11	89.7	2008
Lot PT 46016, HSD 87359 Mukim of Kapar, Klang, Selangor	4.1	Industrial land and building	Freehold	17	83.0	2011

Top 30 Properties of the Group

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Grant No. 44309, Mukim Pekan Puchong Perdana, Selangor	2.8	Industrial land and building	Freehold	11	82.4	2011
Menara UAC, 12 Jalan PJU 7/5, Mutiara Damansara, Selangor	0.57	Office complex	Freehold	4	80.7	*2011
Menara Boustead Penang, Jalan Sultan Ahmad Shah, Georgetown, Pulau Pinang	4.00	Office complex	Freehold	13	65.0	*2011
Lot 70, Mutiara Damansara, Mukim Sungai Buluh, Selangor	13.7	Development land	Freehold		59.2	1999
Pedai Estate, Kanowit, Sarawak	3,421.6	Oil palm estate	1998 – 2058		58.8	1998
Lot 719, Lot 723-725, Lot 444-445 and Lot 235 Mukim Georgetown Daerah Timur Laut Pulau Pinang	0.48	Hotel under construction	Freehold		49.9	2007
Jih Estate, Kanowit, Sarawak	2,960.1	Oil palm estate	1998 – 2058		48.6	1998
Loagan Bunut Estate, Miri Sarawak	4,190.0	Oil palm estate & palm oil mill	1991 – 2091	7	45.5	1994
Lot 67329 and Lot 67330, Mutiara Damansara Mukim Sungai Buluh Selangor	0.85	Commercial land	Freehold		39.4	*2011
Sungai Lelak Estate, Miri Sarawak	3,734.0	Oil palm estate	1988 – 2088		39.3	1994

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Royale Bintang Curve, Jalan PJU 7/3, Mutiara Damansara, Selangor	0.62	Hotel	Freehold	7	38.3	2005
Bukit Limau Estate, Miri, Sarawak	4,827.0	Oil palm estate	1995 – 2094		37.7	1994
Kelimut Estate, Kanowit, Sarawak	2,211.7	Oil palm estate	1998 – 2058		37.4	1998
Bawan Estate, Kanowit Sarawak	1,794.4	Oil palm estate	1998 – 2058		33.0	1998
Pajakan Negeri No. 649 Lot No. 3222, Mukim 13 Daerah Timur Laut Pulau Pinang	8.18	Shipyard	1973 – 2072	40	31.9	2007
Mapai Estate, Kanowit Sarawak	2,467.1	Oil palm estate	1998 – 2058		29.3	1998
Bingin Rupit Estates, Musi Rawas, Sumatera Selatan Indonesia	6,628.0	Oil palm estate & palm oil mill	1998 – 2028		29.2	1995
Wisma Boustead 71, Jalan Raja Chulan Kuala Lumpur	0.11	Office complex	Freehold	28	21.6	1984

** Year of revaluation*

Book values are stated in RM million

Group Oil Palm Agricultural Statistics

	2011	2010	2009	2008	2007
Planted area (hectares)					
Prime mature	60,730	61,323	62,236	62,634	62,521
Young mature	7,183	6,308	4,634	5,147	7,493
Total mature	67,913	67,631	66,870	67,781	70,014
Immature	6,271	6,723	7,500	6,708	6,158
Total planted	74,184	74,354	74,370	74,489	76,172
FFB crop (MT)	1,121,629	1,070,455	1,106,371	1,161,334	1,196,035
FFB yield per hectare (MT/hectare)					
Prime mature	17.1	16.3	16.7	17.5	17.7
Total mature	16.5	15.8	16.5	17.1	17.1
Mill production (MT)					
Palm oil	247,928	237,078	242,582	257,468	258,624
Palm kernel	56,339	54,269	56,918	61,018	63,091
Extraction rates (%)					
Palm oil	20.3	20.5	20.2	19.9	19.9
Palm kernel	4.6	4.7	4.7	4.7	4.9
Oil yield per prime mature hectare (MT/hectare)	3.9	3.7	3.7	4.1	4.2
Average selling prices (RM/MT)					
FFB	687	556	433	597	482
Palm oil	3,272	2,622	2,170	2,794	2,279
Palm kernel	2,195	1,625	990	1,571	1,338

Plantation Area Statement

AREA STATEMENT

Categories	2011		2010	
	Hectares	%	Hectares	%
Oil palm	74,184	77.0	74,354	76.1
Plantable reserves	8,229	8.5	9,314	9.5
Building sites, roads, unplantable areas, etc.	13,980	14.5	13,980	14.4
Total hectares	96,393	100.00	97,648	100.0

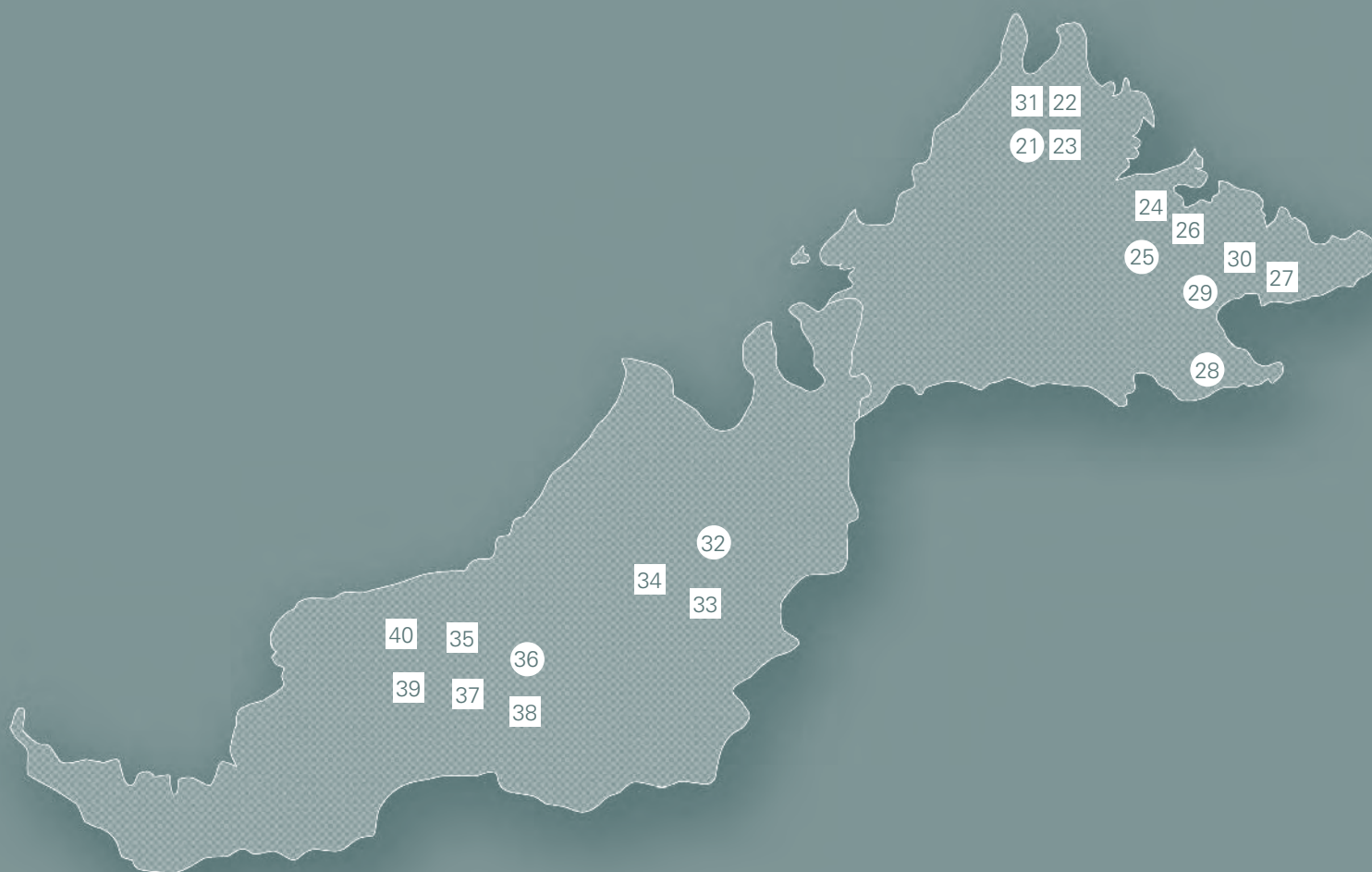
AGE PROFILE OF PALMS

Region	Immature < 3 years	Young mature 3 – 6 years	Prime mature		Total planted
			7 – 15 years	16 – 28 years	
Peninsular Malaysia	4,010	4,201	8,523	9,838	26,572
Sabah	2,261	2,982	8,876	9,722	23,841
Sarawak	–	–	15,452	3,382	18,834
Indonesia	–	–	4,937	–	4,937
Total hectares	6,271	7,183	37,788	22,942	74,184

Oil palm area includes 48,873 hectares leased from Golden Crop Returns Berhad and Al-Hadharah Boustead REIT.

Location of Group Plantations





Peninsular Malaysia

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

17. Kulai Young
18. Chamek
19. Boustead Sedili
20. Telok Sengat

Sabah & Sarawak

21. Sungai Sungai 1
22. Sungai Sungai 2
23. Kawananan
24. Resort
25. Nak
26. Sutera
27. LTT-Sabah
28. Segaria
29. Sungai Segamaha
30. Bukit Segamaha
31. Lembah Paitan

32. Loagan Bunut
33. Sungai Lelak
34. Bukit Limau
35. Pedai
36. Jih
37. Kelimut
38. Maong
39. Mapai
40. Bawan

Indonesia

41. Bingin Rupit

Legend

- Estate
- Estate with Palm Oil Mill

Shareholding Statistics

AS AT 29 FEBRUARY 2012

Size of shareholdings	No. of holders	%	No. of shares	%
Less than 100	522	4.16	12,295	0.00
100 to 1,000	1,084	8.64	599,799	0.06
1,001 to 10,000	7,972	63.54	28,057,282	2.71
10,001 to 100,000	2,572	20.50	68,115,548	6.59
100,001 to less than 5% of issued shares	395	3.15	302,856,820	29.28
5% and above of issued shares	1	0.01	634,536,309	61.36
Total	12,546	100.00	1,034,178,053	100.00

30 LARGEST SHAREHOLDERS AS AT 29 FEBRUARY 2012

No.	Name of shareholders	No. of shares	%
1.	LEMBAGA TABUNG ANGKATAN TENTERA	634,536,309	61.36
2.	SCOTIA NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN</i>	23,724,250	2.29
3.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (NOMURA)</i>	21,230,000	2.05
4.	HSBC NOMINEES (ASING) SDN BHD <i>TNTC FOR SAUDI ARABIAN MONETARY AGENCY</i>	13,417,160	1.30
5.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>ICAPITAL.BIZ BERHAD</i>	7,197,850	0.70
6.	CHINCHOO INVESTMENT SDN.BERHAD	7,028,164	0.68
7.	YONG SIEW YOON	6,244,761	0.60
8.	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND</i>	5,947,598	0.58
9.	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (SAUDI ARABIA)</i>	5,787,650	0.56
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD</i>	5,416,620	0.52
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD</i>	5,405,510	0.52
12.	GAN TENG SIEW REALTY SDN.BERHAD	5,061,034	0.49
13.	CITIGROUP NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)</i>	4,580,266	0.44
14.	HSBC NOMINEES (ASING) SDN BHD <i>PICTET AND CIE FOR PICTET GLOBAL SELECTION FUND - GLOBAL HIGH YIELD EMERGING EQUITIES FUND</i>	4,504,173	0.44
15.	KEY DEVELOPMENT SDN.BERHAD	4,092,770	0.40

30 LARGEST SHAREHOLDERS AS AT 29 FEBRUARY 2012 (CONT'D.)

No.	Name of shareholders	No. of shares	%
16.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>ING INSURANCE BERHAD (INV-IL PAR)</i>	3,865,558	0.37
17.	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK LEND)</i>	3,811,600	0.37
18.	GEMAS BAHRU ESTATES SDN. BHD.	3,329,480	0.32
19.	HSBC NOMINEES (ASING) SDN BHD <i>BNY BRUSSELS FOR WISDOMTREE EMERGING MARKETS EQUITY INCOME FUND</i>	3,272,297	0.32
20.	BIDOR TAHAN ESTATES SDN.BHD.	3,083,300	0.30
21.	HSBC NOMINEES (ASING) SDN BHD <i>TNTC FOR GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD</i>	3,006,770	0.29
22.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>ETIQA INSURANCE BERHAD (LIFE PAR FUND)</i>	3,000,000	0.29
23.	HSBC NOMINEES (ASING) SDN BHD <i>BNY BRUSSELS FOR WISDOMTREE EMERGING MARKETS SMALLCAP DIVIDEND FUND</i>	2,874,730	0.28
24.	MIKDAVID SDN BHD	2,817,430	0.27
25.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (AM INV)</i>	2,750,000	0.27
26.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)</i>	2,737,010	0.26
27.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)</i>	2,522,454	0.24
28.	CITIGROUP NOMINEES (ASING) SDN BHD <i>SMBC NIKKO BK (LUX) SA FOR NIKKO BNY MELLON EMERGING MARKETS MID-SMALL CAP EQUITY FUND</i>	2,496,500	0.24
29.	RENGO MALAY ESTATE SENDIRIAN BERHAD	2,473,460	0.24
30.	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (UNITLINKED GF)</i>	2,469,940	0.24
TOTAL		798,684,644	77.23

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct interest		Indirect interest	
	No. of shares	%	No. of shares	%
Lembaga Tabung Angkatan Tentera	634,536,309	61.36	—	—
Class of shares	Ordinary shares of RM0.50 each			
Voting rights	1 vote per ordinary share			

Statement of Directors' Interest

In the Company and Related Corporations as at 29 February 2012

Name of Director	No. of shares	Direct %
Ordinary shares of RM0.50 each		
Boustead Holdings Berhad		
Tan Sri Dato' Lodin Wok Kamaruddin	28,612,758	2.77
Datuk Azzat Kamaludin	44,000	–
Ordinary shares of RM1.00 each		
SUBSIDIARIES		
Boustead Heavy Industries Corporation Berhad		
Tan Sri Dato' Lodin Wok Kamaruddin	2,000,000	0.80
Datuk Azzat Kamaludin	495,300	0.21
Dato' Ghazali Mohd Ali	75,000	0.03
Pharmaniaga Berhad		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	220,000	0.19
Tan Sri Dato' Lodin Wok Kamaruddin	4,824,804	4.10
Lt. Gen. Dato' Mohd Yusof Din (R)	110,000	0.09
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	55,000	0.05
Datuk Azzat Kamaludin	223,300	0.19
Dato' Ghazali Mohd Ali	55,000	0.05
Boustead Petroleum Sdn Bhd		
Tan Sri Dato' Lodin Wok Kamaruddin	5,916,465	5.00
RELATED COMPANY		
Affin Holdings Berhad		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	91,708	0.01
Tan Sri Dato' Lodin Wok Kamaruddin	808,714	0.05
Datuk Azzat Kamaludin	110,000	0.01
Redeemable preference shares of RM1.00 each		
SUBSIDIARY		
Boustead Petroleum Sdn Bhd		
Tan Sri Dato' Lodin Wok Kamaruddin	50	5.00

Dividend Policy

It is the Board's intention to pay dividends to allow shareholders to participate in the profits of Boustead Holdings Berhad. The dividend policy is in line with the Board's intention to adopt a policy of active capital management where the Board endeavours to declare an interim dividend at the end of each quarter of the financial year in order that shareholders may enjoy a distribution on a regular basis. In this regard, the Company's ability to pay dividends would depend upon factors such as business prospects, expansion and growth strategies, capital requirements, cash reserves and other factors the Board may deem relevant.

Under the dividend policy, the Company intends to pay a minimum of 70% of the audited consolidated profit after taxation attributable to shareholders for each financial year after appropriate adjustments for the profit retained by Associated Companies and any unrealised income from fair value adjustments that are non-cash in nature.

The dividend policy is effective from the financial year 2011.

As the Company is an investment holding company, its income, and therefore its ability to pay dividends or make distributions to shareholders, is dependent upon the dividends and other distributions from Subsidiaries, Associated Companies and investments which in turn will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective board of directors deem relevant.

The dividend policy reflects the Board's current views on the Group's financial position and the said policy will be reviewed from time to time. In recommending dividends, it is the Board's policy to allow shareholders to participate directly in the Company's profits whilst taking into account the retention of adequate reserves for future growth.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting of Boustead Holdings Berhad will be held at Taming Sari Grand Ballroom, Ground Floor, The Royale Chulan Kuala Lumpur, 6 Jalan Conlay, 50450 Kuala Lumpur on Monday, 9 April 2012 at 9.30 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

- | | |
|---|--------------|
| To receive and consider the audited financial statements for the year ended 31 December 2011, and the Report of the Directors. | Resolution 1 |
| To re-elect Tan Sri Dato' Lodin Wok Kamaruddin who retires by rotation and, being eligible, offers himself for re-election. | Resolution 2 |
| To consider and, if thought fit, pass the following resolutions:- | |
| "THAT pursuant to Section 129(6) of the Companies Act, 1965, Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) be re-appointed a Director of the Company to hold office until the next Annual General Meeting." | Resolution 3 |
| "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' (Dr.) Megat Abdul Rahman Megat Ahmad be re-appointed a Director of the Company to hold office until the next Annual General Meeting." | Resolution 4 |
| To approve Directors' fees. | Resolution 5 |
| To re-appoint Auditors and to authorise the Directors to determine their remuneration. | Resolution 6 |

SPECIAL BUSINESS

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 | Resolution 7 |
|---|--------------|

"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 the 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 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

Resolution 8

"THAT, subject to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of the 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 16 March 2012 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 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;

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."

Notice of Annual General Meeting

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

Resolution 9

“THAT, subject always to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of the 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 16 March 2012 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 Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by 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.”

To consider, and if thought fit pass the following special resolution:

Special Resolution – Proposed Amendments to the Articles of Association of the Company

Resolution 10

“THAT the Proposed Amendments to the Articles of Association of the Company as set out in the Circular to Shareholders dated 16 March 2012 be and are hereby approved and adopted.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities.”

To transact any other ordinary business of the Company.

By Order of the Board

SHARIFAH MALEK

Secretary

Kuala Lumpur
16 March 2012

Notes

- (a) Any member entitled to attend and vote may appoint up 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 7 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 interest 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. The mandate sought under item 7 above is a renewal of an existing mandate.
- (c) The proposed resolution 8 and 9, 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.
- (d) The proposed special resolution, if passed, will allow the Company to incorporate the amendments to the Listing Requirements to ensure compliance. Details of the Proposed Amendments are set out in the Circular to Shareholders dated 16 March 2012.

Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-appointment and re-election

a) Directors standing for re-appointment under Section 129(6) of the Companies Act, 1965

- (i) Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)
- (ii) Dato' (Dr.) Megat Abdul Rahman Megat Ahmad

b) Director standing for re-election

Tan Sri Dato' Lodin Wok Kamaruddin

Details of attendance of Board Meetings of Directors seeking re-appointment and re-election are set out on page 74 of the Annual Report.

Profile of Directors standing for re-election and re-appointment are set out on pages 62 to 64 of the annual report; while details of their interest in securities are set out on pages 90, 91 and 214 of the annual report.

2. Date, time and place of the Annual General Meeting

The Fiftieth Annual General Meeting of Boustead Holdings Berhad will be held as follows:-

Date : 9 April 2012
Time : 9.30 a.m.
Place : Taming Sari Grand Ballroom, Ground Floor, The Royale Chulan Kuala Lumpur
6 Jalan Conlay, 50450 Kuala Lumpur

Proxy Form

I/We _____ NRIC (New)/Company No.: _____
(INSERT FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

being a member/members of BOUSTEAD HOLDINGS BERHAD, hereby appoint * _____
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No.: _____ of _____
(FULL ADDRESS)

and/or _____ NRIC (New) No.: _____
(INSERT FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf, at the Fiftieth Annual General Meeting of the Company to be held at Taming Sari Grand Ballroom, Ground Floor, The Royale Chulan Kuala Lumpur, 6 Jalan Conlay, 50450 Kuala Lumpur on Monday, 9 April 2012 at 9.30 a.m. or any adjournment thereof, to vote as indicated below:

No.	Resolution	For	Against
1.	Tabling of Directors' Report and Audited Financial Statements		
2.	Re-election of Tan Sri Dato' Lodin Wok Kamaruddin		
3.	Re-appointment of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)		
4.	Re-appointment of Dato' (Dr.) Megat Abdul Rahman Megat Ahmad		
5.	Approve Directors' fees		
6.	Re-appointment of Auditors		
7.	Approval for Directors to allot and issue shares		
8.	Renewal of Shareholders' Mandate for recurrent related party transactions		
9.	Additional Shareholders' Mandate for recurrent related party transactions		
10.	Amendment of Articles of Association		

Dated this _____ day of _____ 2012

No. of ordinary shares held:

CDS Account No.:

Proportion of shareholdings to be represented by proxies First Proxy: _____ %
Second Proxy: _____ %

Contact No.:

Signature of Member/Common Seal

NOTES

- If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters 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". 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.
- In the case of a Corporation, the proxy should be executed under its Common Seal or under the hand of a duly authorised officer.
- A member shall not, subject to Paragraph 4 below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 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.
- Only members registered in the Record of Depositors as at 2 April 2012 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

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Affix Stamp
Here

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

Fold here