



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

## **Annual Report 2005**





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## Board of Directors

From left to right

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

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

**Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin**

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

**Y. Bhg. Datuk Azzat Kamaludin**

**Tuan Hj. Johari Muhamad Abbas**





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

Chairman  
Non-Independent Non-Executive Director  
75 years of age, Malaysian

He was appointed to the Board on 3 December 1990. He is the Chairman of the Nomination Committee, Remuneration Committee and ESOS Committee.

He 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. He is the Chairman of Lembaga Tabung Angkatan Tentera (LTAT) and also sits on the Boards of The New Straits Time Press (M) Berhad, Boustead Plantations Berhad, Boustead Properties Berhad and UAC Berhad. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, except that he is also the Chairman of LTAT.

# Directors' Profile



**Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin**

Group Managing Director  
Non-Independent Executive Director  
56 years of age, Malaysian

He was appointed to the Board on 10 July 1984. He is a member of the Audit Committee, Remuneration Committee and ESOS Committee. He is also the Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT).

He graduated from the College of Business Administration, The University of Toledo, Ohio, United States of America with a Bachelor of Business Administration and Master of Business Administration. Prior to joining LTAT in 1982, he was with Perbadanan Kemajuan Bukit Fraser as its General Manager from 1973 to 1982. He has extensive experience in general management. He is also the Managing Director of Affin Holdings Berhad. Tan Sri Lodin also sits on the Boards of Boustead Plantations Berhad, Boustead Properties Berhad, UAC Berhad, Affin Bank Berhad, Affin Merchant Bank Berhad, Affin Capital Holdings Sdn Bhd, Johan Ceramics Berhad, The University of Nottingham in Malaysia Sdn Bhd, Boustead Petroleum Marketing Sdn Bhd (formerly known as BP Malaysia Sdn Bhd), Ramatex Berhad and Badan Pengawas Pemegang Saham Minoriti Berhad. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, except that he is also the Chief Executive of LTAT.





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

Independent Non-Executive Director  
75 years of age, Malaysian

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

He is a graduate of the Royal Military Academy, Sandhurst, United Kingdom; Defence Services Staff College, India; and International Defence Management Naval Institute, United States of America. He holds a diploma in Practical & Applied Psychology in Industry from Aldermaston College, United Kingdom. He is a Fellow of the British Institute of Management, as well as a member of the American Institute of Management Executive Council, Malaysian Institute of Personnel Management, Malaysian Institute of Management and Malaysian Institute of Directors. 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 also sits on the Boards of UMW Holdings Berhad and several other private limited companies. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.



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

Independent Non-Executive Director  
66 years of age, Malaysian

He was appointed to the Board on 10 December 1990. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He is also the senior independent non-executive Director to whom all concerns regarding the Group may be conveyed.

He holds a Bachelor of Commerce degree from University of Melbourne, Australia. He is a member of the Malaysian Institute of Certified Public Accountants, a member of the Malaysian Institute of Accountants and a Fellow Member of the Institute of Chartered Accountants in Australia. He was a partner of KPMG, Malaysia and managing partner of KPMG Desa, Megat & Co. for over 10 years and an Executive Director in Kumpulan Guthrie Berhad for 11 years. He also sits on the Boards of UAC Berhad, Royal & Sun Alliance Insurance (M) Berhad, Tronoh Consolidated Malaysia Berhad, Integrated Rubber Corporation Berhad, Press Metal Berhad and IJM Corporation Berhad. He also sits on the Boards of Universiti Kebangsaan Malaysia and Hospital Universiti Kebangsaan Malaysia. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.





**Y. Bhg. Datuk Azzat Kamaludin**

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

He was appointed to the Board on 16 January 1991. He is a member of the Remuneration Committee and ESOS Committee.

He is a lawyer by profession, and is a partner of the law firm of Azzat and Izzat. He graduated from the University of Cambridge with degrees in Law and in International Law in 1969 and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an Administrative and Diplomatic Officer with the ministry of Foreign Affairs Malaysia in various capacities. He is also presently a Director of Affin Holdings Berhad, Visdynamics Holdings Berhad, KPJ Healthcare Berhad, Pulau Springs Berhad, Celcom (Malaysia) Berhad, Technology Resources Industries Berhad, PSC Industries 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.



**Tuan Hj. Johari Muhamad Abbas**

Independent Non-Executive Director  
74 years of age, Malaysian

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

He attended The Royal Veterinary College, London and holds an Associate of the Incorporated Society of Planters Diploma from the Incorporated Society of Planters. He was the National Chairman of the Society from 1980 to 1984. He has over 40 years of experience in the plantation industry having served with Federal Land Development Authority (FELDA) for 7 years and Highlands & Lowlands Berhad for 15 years. From 1980 to 1985, he was the General Manager of Syarikat Ladang LKPP Sdn Bhd. For 16 years he ran his own plantation consultancy firm. In recognition of his contribution to the Planting Industry, he was awarded the FISP (Fellow of Incorporated Society of Planters) on 18 June 2002 by Incorporated Society of Planters. He also sits on the Boards of Highlands & Lowlands Berhad, Boustead Plantations Berhad and Boustead Properties Berhad. He does not have any family relationship with any Director and/or major shareholders of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.

# Corporate Information

## Directors

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

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

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

Tuan Hj. Johari Muhamad Abbas

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

Y. Bhg. Datuk Azzat Kamaludin

## Secretary

Pn. Sharifah Malek

## Registered Office

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

## Registrar

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

## Principal Bankers

Malayan Banking Berhad

The Bank of Nova Scotia Berhad

Hongkong Bank Malaysia Berhad

Southern Bank Berhad

RHB Bank Berhad

Bumiputra-Commerce Bank (M) Berhad

Affin Bank Berhad

EON Bank Berhad

United Overseas Bank (Malaysia) Berhad

## Auditors

Ernst & Young

## Stock Exchange Listing

Bursa Malaysia Securities Berhad

## Holding Corporation

Lembaga Tabung Angkatan Tentera



# Corporate Calendar

|                               |   |
|-------------------------------|---|
| <b>Financial Year</b>         | 1 January to 31 December 2005   |
| <b>Results</b>                |   |
| <b>First Quarter</b>          | Announced 16 May 2005   |
| <b>Second Quarter</b>         | Announced 22 August 2005  |
| <b>Third Quarter</b>          | Announced 29 November 2005  |
| <b>Fourth Quarter</b>         | Announced 28 February 2006  |
| <b>Annual Report</b>          | Issued 8 March 2006   |
| <b>Annual General Meeting</b> | To be held 30 March 2006  |
| <b>Dividends</b>              |   |
| <b>First Interim</b>          | Announced 22 August 2005<br>Entitlement date 19 October 2005<br>Paid 18 November 2005   |
| <b>Second Interim</b>         | Announced 29 November 2005<br>Entitlement date 16 December 2005<br>Paid 11 January 2006 |
| <b>Final</b>                  | Announced 28 February 2006<br>Entitlement date 3 May 2006<br>Payable 25 May 2006        |



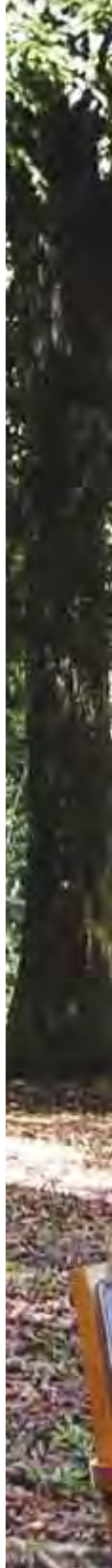
From left to right

**Mr Daniel Ebinesan**  
Director, Financial Services

**Y. Bhg. Dato' Ghazali Mohd Ali**  
Divisional Director, Property

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

**Mr Koo Hock Fee**  
Director, Manufacturing  
& Corporate Planning





**Senior  
Management  
Team**









From left to right

**Mr Teng Peng Khen**  
Boustead Estates Agency

**Mr Lee Keong Hoe**  
Boustead Estates Agency

**Mr Tan Kim Thiam**  
Boustead Petroleum

**Professor Brian Atkin**  
University of Nottingham

**En Hussin Abdul Jalil**  
Boustead Estates Agency

**Mr Chow Kok Choy**  
Boustead Estates Agency

**Mr Johnny Soon**  
Boustead Shipping Agencies

**Ms Serena Ngiam**  
Boustead Travel Services

**Mr Koh Chor Meng**  
Asia Smart Cards Centre

**Pn Farshila Imran**  
Idaman Pharma Manufacturing

**Dr Rodaina Ibrahim**  
Boustead Information Technology









From left to right

**En Musa Hj Sulaiman**  
Boustead Global Trade Network

**Mr Chew Chik Soo**  
Boustead Building Materials/  
Boustead Sissons Paints

**En Rahim Mohd Som**  
Boustead Credit/Boustead Emastulin

**Mr Ting Sik Fatt**  
Boustead Engineering

**Ms Chin Sup Chien**  
Financial Controller, Plantation

**Mr Peramjeet Singh**  
Financial Controller,  
Manufacturing & Trading

**Ms Josephine Wong**  
Financial Controller,  
Boustead Holdings

**Ms Cheah Swee Choo**  
Financial Controller, Property

**En Khushairi Mohd Hashim**  
Boustead Properties

**Pn Nawal Hanafiah**  
Group Human Resource

**Pn Sharifah Malek**  
Company Secretary

**Mr Chan Pooi Hoong**  
Group Internal Audit

**En Mokhtar Khir**  
The Royale Bintang Hotel











# **Audit Committee Report**

**The Board of Directors of Boustead Holdings Berhad is pleased to present the following report of the Audit Committee of the Board for the financial year ended 31 December 2005.**



Members from left to right

**Y. Bhg. Tan Sri Dato' Lodin Wok  
Kamaruddin**

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

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

**Tuan Hj. Johari  
Muhamad Abbas**





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

### MEMBERS AND MEETINGS

During the year, the Committee held meetings on 18 February 2005, 24 February 2005, 16 May 2005, 22 August 2005 and 22 November 2005 respectively, a total of five (5) meetings. The composition of the Audit Committee and the attendance by each member at the Committee meetings held during the year are as follows:

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

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





## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The terms of reference of the Committee are as follows:

### **Composition**

The Audit Committee members shall be appointed by and from the Board of Directors of Boustead Holdings Berhad and shall number not less than three (3) members, a majority of whom shall be independent non-executive Directors. The members of the Audit Committee shall elect a Chairman from amongst themselves who is an independent non-executive Director.

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

### **Quorum and Committee's Procedures**

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. In order to form a quorum for the meeting, the majority of the members present must be independent non-executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

### **Authority**

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Audit Committee is authorised by the Board to obtain such outside legal or other independent professional advice and to secure the attendance of such outsiders with relevant experience and expertise as it may consider necessary.

### **Responsibility and Duties**

The Committee shall undertake the following responsibilities and duties:

1. To review with the external auditors, the audit plan, the scope of audit and the audit report.
2. To review the evaluation of the system of internal control with the internal and external auditors.
3. To review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
4. To review the internal audit programme, processes, the results of the internal audit programme or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
5. To provide an independent assessment of the adequacy and reliability of the risk assessment process.
6. To review the quarterly results and the year end financial statements of the Group prior to the approval by the Board of Directors, focusing particularly on:
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements.
7. To review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
8. To recommend the nomination of a person or persons as external auditors.
9. To review any letter of resignation from the external auditors and any questions of resignation or dismissal.



10. To report promptly to Bursa Malaysia on any matter reported by it to the Board of Directors that has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Listing Requirements.
11. To undertake such other functions as may be agreed to by the Audit Committee and the Board of Directors.

#### **ACTIVITIES DURING THE FINANCIAL YEAR**

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

- Reviewed the internal and external auditors' scope of work and annual audit plans for the Group.
- Reviewed management letters and audit report of the external auditors.
- Reviewed the quarterly and annual reports of the Group prior to submission to the Board of Directors for consideration and approval.
- Reviewed the disclosure on related party transactions entered into by the Company and the Group.
- Reviewed internal audit reports and to monitor/follow-up on remedial action. Where required, members of the Audit Committee would carry out ground visits to verify significant issues highlighted in the Internal Audit Reports.
- Reviewed the outcome of the risk management programme, including the key risks identified, the potential impact and the likelihood of the risks occurring, existing controls and action plans.
- Reviewed the list of eligible employees and the allocation of options to be offered to them by the Company pursuant to the Boustead Holdings Berhad Employees' Share Option Scheme.
- Committee Chairman met with the external auditors at least once during the year without the presence of any executive Board member.



### **INTERNAL AUDIT FUNCTION**

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

The principal roles of the Internal Audit Department are:

- To ensure that a sound internal control system is in place and the system is functioning adequately and its integrity is maintained.
- To add value and improve the Group's operations by providing independent and objective evaluation of the operations.
- To ensure that a systematic disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance process is adopted.
- To carry out investigations and special review requested by management or the Audit Committee.
- To carry out audit work in liaison with the external auditors to maximise the use of resources and for effective coverage of audit risks.

The Internal Audit Department carries out its audits according to the audit plan approved by the Audit Committee. Risk identification and assessment is carried out as part of the routine audit process, where audit emphasis was given on high and critical risk areas, and compliance with risk policies and regulatory guidelines. When a major risk was identified, significant audit resources would be directed to investigate the weakness and to recommend corrective actions.





# Corporate Governance

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



Set out below is the manner with which the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Code. These principles and best practices have been applied and complied with throughout the year ended 31 December 2005.

## **BOARD RESPONSIBILITIES**

The Board is responsible for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.

The key responsibilities include the primary responsibilities prescribed under best practice AA1 of the Code. These cover a review of the strategic direction for the Group and overseeing the business operations of the Group, evaluating whether these are being properly managed.

The responsibility for matters material to the Group is in the hands of the Board, with no individual having unfettered powers to make decisions. In performing their duties, all Directors have access to the advice and services of the Company Secretary and if necessary, may seek independent professional advice about the affairs of the Group. The Board has a formal schedule of matters reserved to itself for decision, including the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial matters.

## **COMPOSITION OF THE BOARD**

The Board currently has six (6) members, comprising one (1) executive Director and five (5) 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 4 to 7 of this annual report.

The Group practises a division of responsibility between the Chairman and the Group Managing Director and there is a balance of executive, non-executive and independent non-executive Directors. The roles of the Chairman and Group Managing Director are separate and clearly defined, and are held individually by two persons.

The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Group Managing Director has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions.

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

The terms and conditions of the appointment of Directors are set out in a letter of appointment that sets out, amongst others, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

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

## **BOARD MEETINGS**

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

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

- Audit Committee
- Employees' Share Option Scheme Committee (ESOS Committee)
- Nomination Committee
- Remuneration Committee

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

|                        |            |
|------------------------|------------|
| Board of Directors     | 5 meetings |
| Audit Committee        | 5 meetings |
| ESOS Committee         | 3 meetings |
| Nomination Committee   | 1 meeting  |
| Remuneration Committee | 1 meeting  |

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

| <b>Name of Director</b>                                 | <b>Status of Directorship</b> | <b>Independent</b> | <b>Attendance of Meetings</b> |
|---|-------------------------------|--------------------|-------------------------------|
| Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat | Non-executive Chairman        | No                 | All 5 meetings                |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin              | Group Managing Director       | No                 | All 5 meetings                |
| Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din               | Non-executive Director        | Yes                | 4 of 5 meetings               |
| Tuan Hj. Johari Muhamad Abbas                           | Non-executive Director        | Yes                | All 5 meetings                |
| Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad      | Non-executive Director        | Yes                | All 5 meetings                |
| Y. Bhg. Datuk Azzat Kamaludin                           | Non-executive Director        | No                 | All 5 meetings                |



### **INFORMATION FOR THE BOARD**

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

The Directors have access to the advice and services of the Company Secretary and the terms of appointment permits 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. During the year, all the Directors attended a training on Financial Reporting Standards and Goods and Services Tax conducted by Ernst & Young. The Directors continue to undergo other relevant training programmes as appropriate, to further enhance their skills and knowledge.

### **RE-ELECTION OF DIRECTORS**

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment. The Articles further provides that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting.

Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

## **BOARD COMMITTEES**

### **Audit Committee**

The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with external auditors. The Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Committee.

The report of the Audit Committee is set out on pages 16 and 23 of the annual report.

### **ESOS Committee**

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

The members of the Committee are:

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

### **Nomination Committee**

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

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

The functions of the Nomination Committee shall be to:

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

### **Remuneration Committee**

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

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

The Remuneration Committee reviews the remuneration packages, share options and other benefits applicable to all executive Directors and senior executives on an annual basis and makes recommendations to the Board.

None of the executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. In establishing the level of remuneration for each Director and senior staff, the Committee has regard to packages offered by comparable companies, and may obtain independent advice.

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



## DIRECTORS' REMUNERATION

The details on the aggregate remuneration of Directors for the Financial Year ended 31 December 2005 are as follows:

|                                       | <b>Non-Executive<br/>RM'000</b> | <b>Executive<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---------------------------------------|---------------------------------|-----------------------------|-------------------------|
| Directors' Fees                       | 300                             | —                           | 300                     |
| Meetings Allowances                   | 23                              | —                           | 23                      |
| Salaries, Bonuses & Allowances        | 60                              | 1,049                       | 1,109                   |
| Employees Provident Fund Contribution | —                               | 141                         | 141                     |
| Benefits-in-kind                      | 44                              | 32                          | 76                      |
| <b>Total</b>                          | <b>427</b>                      | <b>1,222</b>                | <b>1,649</b>            |

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

|                                 | <b>Number of Directors</b> |                  |
|---------------------------------|----------------------------|------------------|
|                                 | <b>Non-Executive</b>       | <b>Executive</b> |
| Up to RM50,000                  | 2                          | —                |
| From RM50,001 to RM100,000      | 2                          | —                |
| From RM200,001 to RM250,000     | 1                          | —                |
| From RM1,200,001 to RM1,250,000 | —                          | 1                |

## INVESTORS AND SHAREHOLDERS RELATIONSHIP

The Group recognises the importance of timely and thorough dissemination of information to shareholders. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Malaysia and the Malaysian Accounting Standards Board. The annual report has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investors with financial information.

Apart from the mandatory public announcements through Bursa Malaysia, the Group has also set up a website at [www.boustead.com.my](http://www.boustead.com.my) to provide corporate, financial and non-financial information.

The Group Managing Director and Director, Financial Services meet regularly with analysts, institutional shareholders and investors. At general meetings, the Board encourages shareholder participation and respond to their questions. Shareholders can also leave written questions for the Board to respond. The Share Registrar is available to attend to matters relating to shareholder interests.

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. Before the financial statements were drawn up, the Directors have taken the necessary steps to ensure that the Group had used all the applicable accounting policies consistently, and that the policies are supported by reasonable and prudent judgements and estimates. All accounting standards, which the Board considers to be applicable, have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

The role of the Audit Committee in the review and reporting of the financial information of the Group is outlined in the Report of the Audit Committee in the Annual Report.

### **Internal Control**

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

### **Relationship with External Auditors**

The Board has established transparent and appropriate relationship with the external auditors through the Audit Committee. The Audit Committee has always maintained a professional relationship with the external auditors, and the Committee Chairman meets with the external auditors without the presence of any Board member at least once a year.

## **DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL 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:

- adopted suitable accounting policies and applying them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

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.







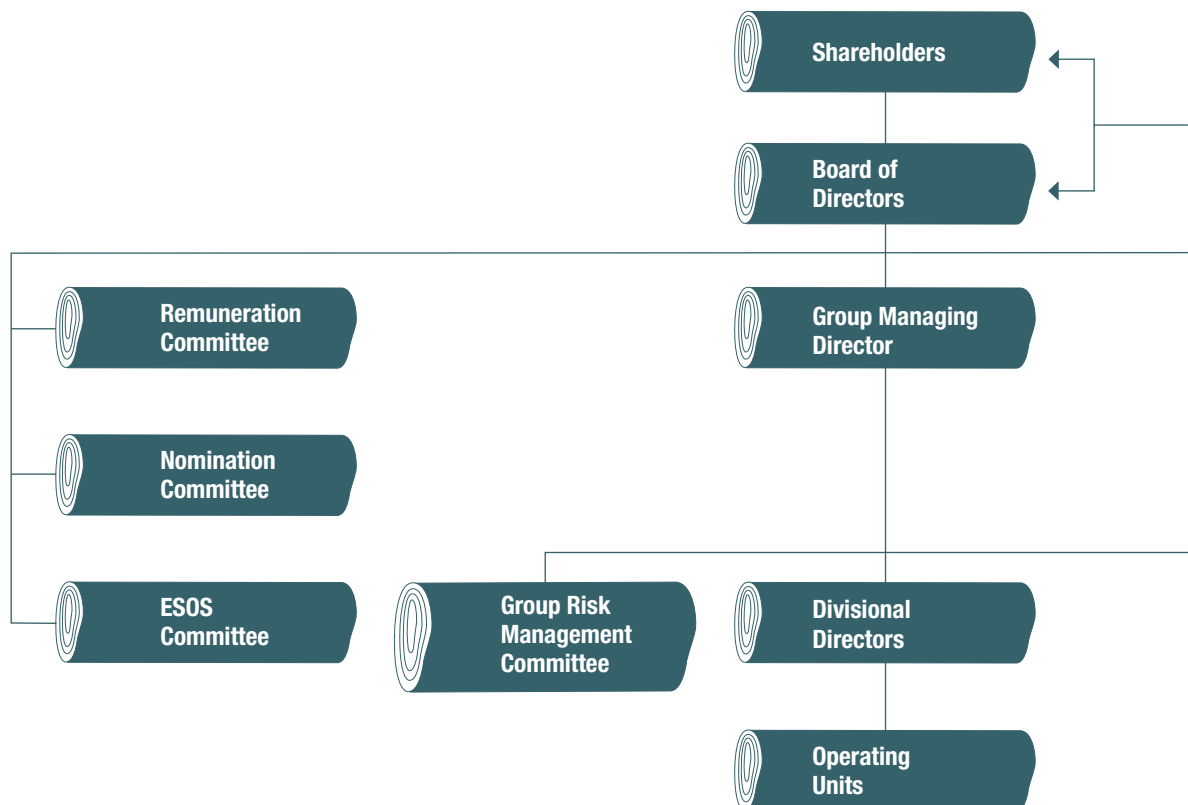
## **Statement on Internal Control**

**The Board of Directors of Boustead Holdings Berhad is pleased to make the following Statement on Internal Control which outlines the key elements of the internal control system within the Group.**



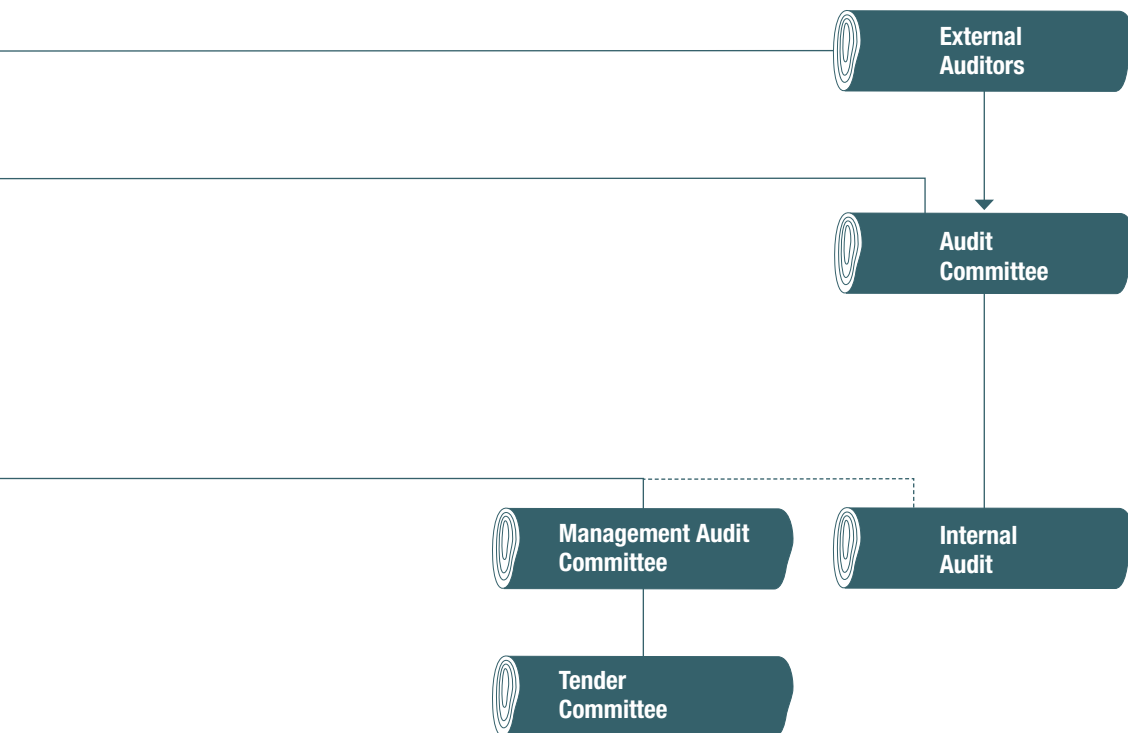
### BOARD RESPONSIBILITY

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



The Group's system of internal control covers risk management and financial, operational and compliance controls. Except for insurable risks where insurance covers are purchased, other significant risks faced by the Group (excluding associated companies) are reported to, and managed by the respective Boards within the Group.

The internal control system of the Group is supported by an appropriate organisation structure with clear reporting lines, defined lines of responsibilities and authorities from respective business units up to the Board level as follows:





## **RISK MANAGEMENT**

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

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

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

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

In pursuing these objectives the Group has:

- implemented a comprehensive and systematic risk assessment and reporting process across the Group;
- created an environment that controls and mitigate risks within the accepted risk tolerance;
- heightened risk management awareness in the business processes;
- fostered a culture of continuous improvement in risk management through audit and review processes;

- produced a risk profile with a significance rating to each risk as a tool for prioritising risk treatment efforts; and
- presented a summary of significant risks on a half-yearly basis to the Audit Committee and Board with the assurance that the key risks are being identified and managed effectively.

## **INTERNAL AUDIT FUNCTION**

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

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

## **KEY ELEMENTS OF INTERNAL CONTROL**

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

- Clear organisation structure with defined reporting lines.
- Defined level of authorities and lines of responsibilities from operating units up to the Board level to ensure accountabilities for risk management and control activities.
- Regular Board and Management Meetings to assess the Group's performance and controls.
- Regular internal audit visits to review the effectiveness of the control procedures and ensure accurate and timely financial management reporting. Internal audit efforts are directed towards areas with significant risks

as identified by Management, and the risk management process is being audited to provide assurance on the management of risk.

- Review of internal audit reports and follow-up on findings by Management Audit Committee. The internal audit reports are deliberated by the Audit Committee, and are subsequently presented to the Board on a quarterly basis or earlier, as appropriate.
- Review and award of major contracts by Tender Committee. A minimum of three quotations is called for and tenders are awarded based on criteria such as quality, track record and speed of delivery.
- Tender Committee comprising members of senior management which ensures transparency in the award of contracts.
- Clearly documented Standard Operating Procedures Manuals set out the policies and procedures for day to day operations to be carried out.
- Consolidated monthly management accounts and quarterly forecast performance which allow Management to focus on areas of concern.
- Regular visits to estates by Visiting Agents, and Estates Department, with the emphasis on the monitoring and control of expenditure at operating centres, agronomic practices and ad-hoc investigations.
- Strategic planning, target setting and detailed budgeting process for each area of business which are approved both at the operating level and by the Board.
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- Regular visits to the operating units by members of the Board and Senior Management.

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

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

- Regular confirmation by the chief executive officer and chief financial officer of the respective operating units on the effectiveness of the system of internal control, highlighting any weaknesses and changes in risk profile. The same confirmation is provided by the Group Managing Director and Director, Financial Services to the Board annually.
- Periodic examination of business processes and the state of internal control by the internal audit function. Reports on the reviews carried out by the internal audit function are submitted on a regular basis to the Management Audit Committee and Audit Committee.

The monitoring, review and reporting arrangements in place provide reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations and that risks are at an acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate the possibility of human error, deliberate circumvention of control procedures by employees and others, or the occurrence of unforeseeable circumstances.

The Board is of the view that the system of internal control in place for the year under review is sound and sufficient to safeguard shareholders' investments, customers' interests and the Group's assets.

#### **WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES**

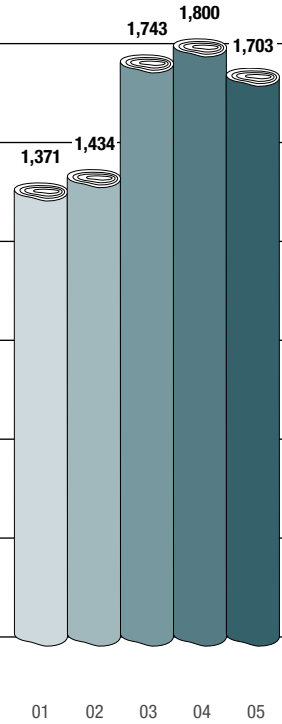
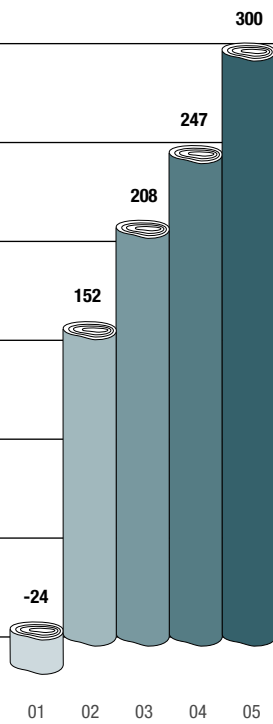
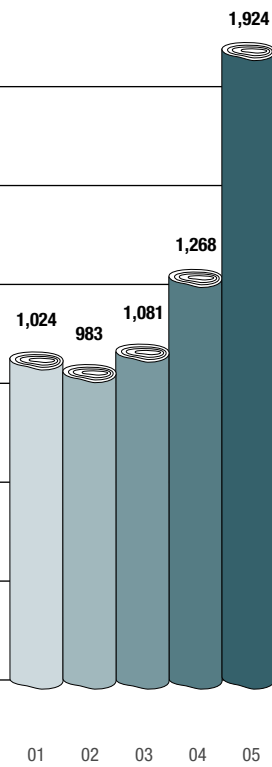
There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

This statement is made in accordance with a resolution of the Board of Directors dated 28 February 2006.

### Revenue

### Profit Before Taxation

### Shareholders' Equity



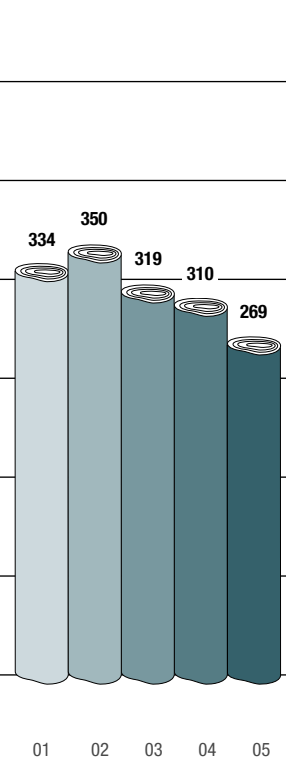
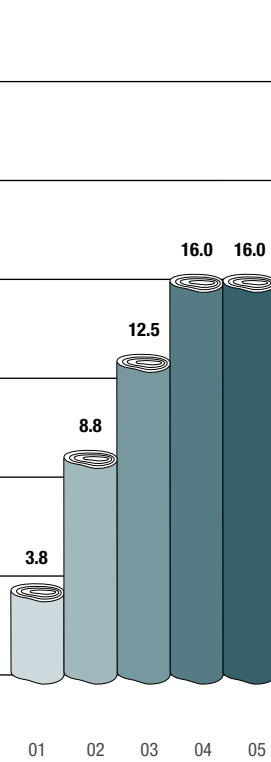
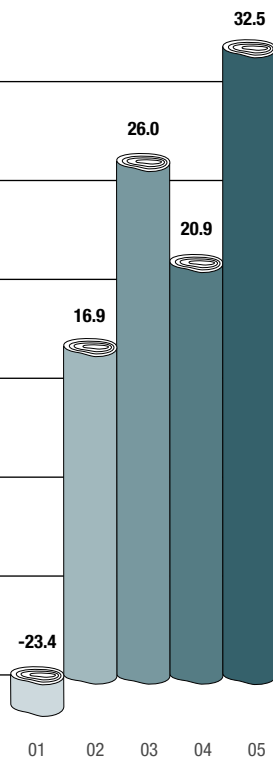


# Five Year Group Financial Highlights

Earnings Per Share

Dividend Per Share

Net Tangible Assets Per Share



Sen

Sen

Sen

|   | 2005         | 2004  | 2003  | 2002  | 2001   |
|---|--------------|-------|-------|-------|--------|
| <b>For Year Ended 31 December (RM Million)</b>            |              |       |       |       |        |
| Revenue   | <b>1,924</b> | 1,268 | 1,081 | 983   | 1,024  |
| Profit before taxation                                    |              |       |       |       |        |
| — Plantation  | <b>134</b>   | 101   | 115   | 93    | 52     |
| — Property  | <b>55</b>    | 109   | 94    | 70    | 99     |
| — Finance & investment                                    | <b>73</b>    | 13    | (16)  | (8)   | (188)  |
| — Trading   | <b>22</b>    | 2     | —     | (20)  | (9)    |
| — Manufacturing & services                                | <b>16</b>    | 22    | 15    | 17    | 22     |
|   | <b>300</b>   | 247   | 208   | 152   | (24)   |
| Profit/(loss) attributable to shareholders                | <b>191</b>   | 119   | 113   | 69    | (77)   |
| Dividends   | <b>68</b>    | 67    | 44    | 17    | 7      |
| Profit/(loss) retained                                    | <b>123</b>   | 52    | 69    | 52    | (84)   |
| <b>At End of Year (RM Million)</b>                        |              |       |       |       |        |
| Paid-up share capital                                     | <b>296</b>   | 290   | 273   | 136   | 136    |
| Shareholders' equity                                      | <b>1,703</b> | 1,800 | 1,743 | 1,434 | 1,371  |
| Total assets employed                                     | <b>5,221</b> | 4,643 | 4,341 | 4,048 | 3,955  |
| <b>Per Share (nominal RM0.50)</b>                         |              |       |       |       |        |
| Earnings (sen)  | <b>32.5</b>  | 20.9  | 26.0  | 16.9  | (23.4) |
| Gross dividend (%)  | <b>32.0</b>  | 32.0  | 25.0  | 17.5  | 7.5    |
| Dividend Yield (%)  | <b>9.0</b>   | 9.5   | 9.5   | 5.9   | 3.1    |
| Dividend cover (times)                                    | <b>2.8</b>   | 1.8   | 2.9   | 2.7   | (8.7)  |
| Net tangible assets (sen)                                 | <b>269</b>   | 310   | 319   | 350   | 334    |
| Share price – high (sen)                                  | <b>200</b>   | 190   | 220   | 230   | 262    |
| Share price – low (sen)                                   | <b>167</b>   | 147   | 129   | 165   | 171    |
| Price earning ratio (times)                               | <b>5.4</b>   | 8.1   | 5.1   | 8.8   | (5.1)  |
| <b>Financial Statistics</b>                               |              |       |       |       |        |
| Return on revenue (%)                                     | <b>9.8</b>   | 9.9   | 12.2  | 6.8   | 8.1    |
| Return on average shareholders' equity (%)                | <b>10.8</b>  | 6.7   | 7.1   | 4.9   | (6.7)  |
| Interest cover (profit before interest: interest) (times) | <b>3.7</b>   | 3.8   | 3.8   | 3.8   | 0.7    |
| Gearing (borrowings: shareholders' equity) (times)        | <b>1.2</b>   | 1.0   | 1.0   | 1.1   | 1.2    |





## Dear Shareholder

**With a commitment towards achieving positive growth in our core businesses while prudently seizing opportunities that offer earnings enhancement, Boustead Holdings Berhad is well on track to deliver strengthened shareholder value. This is a direct result of the Group's *modus* of putting short term initiatives into effect decisively while persistently working towards its long term goals. With pleasure I present you with our annual report for the year ended 31 December 2005.**

Naturally, during the year, various internal and external developments affected the Group's businesses in a multitude of ways. Be it opportunities or threats, it was with a commitment towards teamwork, hard work, planning and execution, that the Group as a whole was able to proactively respond to the ever-changing and ever-competitive environment.

We firmly subscribe to the belief that we are stronger cohesively than the sum of our parts and this is clearly reflected in our financial results. For the year under review, the Group achieved a pre-tax profit of RM300 million in comparison to last year's pre-tax profit of RM247 million. This result is a reflection of the corporate strategies that have come into play and the direction that we seek to cultivate towards sustaining our long term success. Be that as it may, the Group as it has during the year will adapt itself via strategic exercises that seek to further strengthen its operational efficiencies and effectiveness.

## Chairman's Statement







## ECONOMIC LANDSCAPE

From a global perspective, 2005 was a year of high oil prices. In September 2005, oil prices hit an all-time high of USD70 per barrel compared to a range of USD40-45 in the beginning of the same year.

Oil metaphorically and literally is the fuel that drives the engines of growth for most, if not all sectors across the globe. High oil prices have impacted all five divisions of the Boustead Group in various ways from increasing production costs to affecting supply and demand of products and services offered by the Group.

Despite this challenging macro economic environment, we continued to rationalise and consolidate our operating units in addition to diversifying our business portfolio through strategic acquisitions.

The United States interest rates hike in 2005 also reverberated throughout the world. With high interest rates affecting consumer demand, sentiments were weak in expectation of a slowdown in exports to the US.



The spectre of high interest rates has diminished at the end of the year, while oil prices are expected to remain high in 2006.

Closer to home, Malaysia continued to experience positive growth in 2005. Driving home this point, Bank Negara Malaysia cited Gross Domestic Product (GDP) growth for Malaysia at 5.3%. This also prompted the central bank to increase the benchmark overnight policy rate by 30 basis points.

Looking forward, GDP growth is expected to be driven largely by resilient domestic demand, which has shown exponential growth these past few years thanks to an increase in private consumption. This will of course bode well across all our divisions.



The Group is optimistic that the health of our country's economy remains in good form enabling us to stay on track with our plans and initiatives to retrieve maximum value from our businesses. This year, we have seen some of our plans taking shape and bearing fruit and as time progresses, we are confident that the Group will continue to deliver good returns to our shareholders.

### FINANCIAL PERFORMANCE

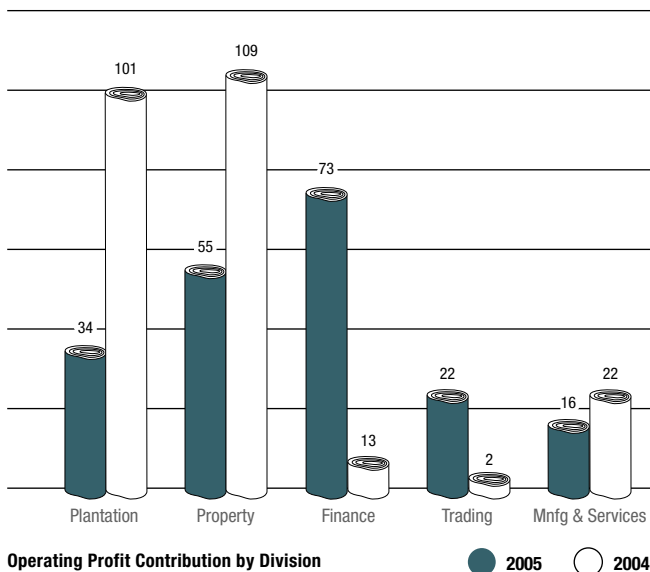
The Group's financial results were driven primarily by our Finance and Investment Division and complemented by the Plantation, Property and Trading Divisions. The latter's contribution was by virtue of our acquisition of BP Malaysia Sdn Bhd which had a strong impact on the Division's profitability. At operating level we did experience a slide in profits due to lower contributions from the Plantation and Property Divisions. However, at Group level these effects were reversed by the exceptional gains derived from the

Asset Backed Securitisation (ABS) programme where plantation assets were sold at a fair value to a special purpose vehicle, thereby realising a gain of RM163 million.

Profit attributable to shareholders was RM191 million compared to RM119 million last year. This was the result of successful operating performance of our core divisions coupled with the realisation of the inherent value of various plantation assets under the ABS programme.

Earnings per share ended at 32 sen (2004: 21 sen) and net tangible assets (NTA) per share was RM2.69 (2004: RM3.10). Our financial year ended with shareholders' funds standing at RM1,703 million against last year's RM1,800 million. The reduction in the NTA and shareholders' funds was mainly due to accounting for share of loss of RM196 million in respect of our original 18.6% interest in PSC Industries Berhad. The loss had no material impact on our bottom-line as it was effected through our reserves.

RM Million





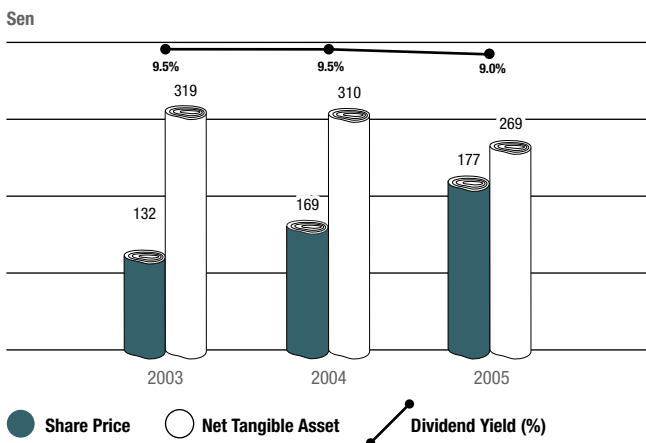
## CORPORATE DEVELOPMENT

It was a busy year for the Group as we put various corporate undertakings into motion. They included the acquisition of equity in BP Malaysia Sdn Bhd, which was renamed Boustead Petroleum Marketing Sdn Bhd and the Islamic ABS programme. In addition, the Group also raised its stakes in PSC Industries Berhad and PSC-Naval Dockyard Sdn Bhd.

While the year was eventful with these corporate undertakings, your Group as a whole was focused on keeping cost to a minimum via pro-active cost management practices. This was in tandem with our strategic approach towards making work processes more efficient and effective.

## DIVIDEND

The Boustead Group is steadfast in our commitment to enhancing our shareholder value. In view of our positive performance in 2005, todate 20% has been distributed and the Board is recommending a further dividend payment of 12% for the year. This will translate into a yield of 9.0% which surpasses rates offered by commercial financial institutions.



## HUMAN RESOURCES DEVELOPMENT

In 2005, as a reflection of the Group's commitment to its most valuable asset, its employees, various training programmes were initiated across all levels in the Group.

Emphasis was placed on IT literacy programmes in order to ensure all employees possessed the necessary skill and knowledge. In addition, we also embarked on various employee relationship programmes to enhance teambuilding efforts.

The year also saw more recruitment of graduates for the Group's Management Trainee Programme, an on-going succession plan which sees qualified graduates receiving on-the-job-training to enable them to assume executive positions and progress up the corporate ladder.

As a responsible corporate citizen, we also introduced the Boustead Graduate Internship Programme to help address the high unemployment levels amongst Malaysian graduates. The year long programme saw a number of interns assigned to select operating units under the mentorship of experienced managers.



In preparation for the introduction of the new Financial Reporting Standards, seminars were also organised for Chief Executive Officers and senior managers.

## CORPORATE SOCIAL RESPONSIBILITY

In the course of the year, your Group carried out various activities that sought to help improve the conditions of society and the environment in which we operate. As part of our commitment as a responsible corporate citizen, a number of community and charity based projects were organised.

Ongoing donations were made to Yayasan Warisan Perajurit, an educational trust fund established to offer scholarships to children of our armed forces personnel who do well in their studies.



Our staff hosted *Buka Puasa* dinners at our Royale Bintang hotels for children from the Rumah Amal Cahaya Tengku Ampuan Rahimah Association Subang Jaya and Asrama Baitul Ummah Setapak.

Cash donations were made to the Tabung Kebajikan Angkatan Tentera to help members of the armed forces who were away from their families to celebrate Hari Raya.

The impact of the Tsunami reverberated across Asia and we played our part through contributions of cash and products to aid victims in Malaysia and other affected countries.





In addition, blood donation drives were carried out throughout the year.



As a responsible developer, Mutiara Damansara now has its very own police base. This facility was built and donated by Mutiara Rini Sdn Bhd.



The Group also took the initiative to look into the welfare of our plantation workers and for their convenience, a mosque was built and donated in Ladang Sutera, Sandakan, Sabah.

## OUTLOOK AND PROSPECTS

The prospects in the coming year will be influenced by the performance of the various core businesses namely plantation, property and financial services as well as the impact of macro-economic factors. With key indicators pointing towards a healthy growth for the Malaysian economy, barring any unforeseen turn of events we are confident of delivering another year of strengthened performance.



While CPO prices are currently well supported, it is widely expected to trend upwards in the coming year and remain buoyant. With larger areas of our Plantation Division maturing and coming on-stream the Group is well positioned to take advantage of the growing global demand for palm oil. Anticipated attractive prices in the near future will certainly augur well for the division.



As for property, the generally bullish market sentiment of 2005 is expected to continue into 2006, driven by strong domestic liquidity and sustained interest in well located residential property. The Group's property offerings in both Selangor and Johor continue to be well received and this is primarily due to its excellent infrastructure, services and strong secondary market appreciation.

On the financial services front, Affin Holdings is expected to continue with their strong showing and remain as one of the Group's key contributors. As they progress to fortify their position as a one-stop financial services house, their market position will be further enhanced by their evolution into an investment bank and the life insurance business.

The Group is also confident of the long term viability of its acquisition in PSC-Naval Dockyard. In the same vein, we are looking forward to realising the full potential of the off-shore patrol vessels project which is anticipated to contribute positively to our long-term earnings.

In addition, re-branding efforts for our downstream petroleum retail business, Boustead Petroleum Marketing Sdn Bhd, is expected to be completed in the course of 2006 to forge a stronger identity for the Group.

#### **ACKNOWLEDGEMENT**

Boustead's success would not have been possible without the unwavering commitment and dedication of all our employees and the support of the management, business associates, government authorities, consultants and the investment community. Thank you for helping us deliver another great financial year.

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

Chairman

28 February 2006

## **Dear Shareholder**

**The cornerstone of your Group's success lies in our ability to leverage on our core streams of business. In the same vein, we believe in maximising our core competencies and offerings through innovation and continuous improvement. This was the Group's guiding principle for the year under review.**

**The year was rife with challenges but as a corporation that believes in giving returns to its shareholders, we faced increasing pressure to stay ahead of both the market and our competition. With this mandate, your Group rose to the challenge in two new areas, namely the downstream petroleum retail and the marine vessel manufacturing sectors. We have fortified our investments in these industries and are confident that they will enhance synergies and more importantly render better return on investments in the mid and long term.**



**Chief  
Executive's  
Review**





## FINANCIAL PERFORMANCE

The Group achieved a pre-tax profit of RM300 million for the financial year ended 31 December 2005 on the back of a turnover of RM1.92 billion. This profit reflects a growth of 22% compared with the previous corresponding year's profit of RM247 million. This significant increase in profit is not only testament to our soundness as a diversified conglomerate, but also to the well-planned corporate undertakings carried out in the course of the year.

Our core divisions, continued to be the primary contributors. To reinforce our earnings potential, meticulous planning was set into motion and two new revenue streams were added. We are certain the magnitude of these businesses will soon speak for themselves.



The plantation industry was rife with challenges in 2005 with crude palm oil prices trading lower and averaging at RM1,400 per tonne. One of the more notable factors which had a knock on effect on the Plantation Division's contribution was escalating petroleum costs which had a definite impact resulting in a lower operating profit of RM34 million from a revenue of RM453 million.

For the property sector, the residential sub-sector remained active while the non-residential sub-sector improved as business confidence and consumer sentiment remained strong. Nonetheless, this sector faced escalating cost of materials and a glut of property offerings in the market. Against this backdrop our Property Division registered a reduced profit of RM55 million on the back of a turnover of RM309 million.

The Finance and Investment Division was one of the core contributors to Group earnings and this was primarily through Affin Holdings Berhad's handsome contributions. For 2005, a pre-tax profit of RM73 million compared to RM13 million in the previous year was registered, denoting phenomenal growth compared to last year.



## CORPORATE DEVELOPMENTS

Moving ahead it was necessary to tap into varied business opportunities that offer enhanced prospects. In the course of the year various corporate undertakings were embarked on and these had a strong impact on the Group.



On this score, we received our shareholders' approval during the Extraordinary General Meeting held on 22 June 2005 to acquire a 70% stake in BP Malaysia Sdn Bhd. This investment worth RM409 million is in synergy with our current businesses and to reflect this acquisition we have included the downstream petroleum retail business into the Trading Division.





In seizing new opportunities we have made inroads into the marine vessel development sector by increasing our stake in PSC Industries Berhad (PSCI) from 18.6% to 32.7% at a cost of RM25 million, resulting in this listed entity becoming a new associate of your Group. To further consolidate our position in the sector, we acquired a 31% direct interest in PSC-Naval Dockyard Sdn Bhd for RM166 million. To strengthen our position further, we have committed to acquire over a period of three years a further 27.7% stake in the company and this investment will cost us RM150 million plus holding costs. The acquisition offers us strategic leverage to tap into the long term prospects of this investment which currently has a RM5.3 billion contract with the Government of Malaysia to design, construct and deliver six offshore petrol vessels.

#### **ASSET BACKED SECURITISATION PROGRAMME**

To fund the acquisition of our new streams of businesses while improving our gearing levels, we successfully completed the largest Islamic plantation Asset Backed Securitisation (ABS) programme in Malaysia. The ABS programme comprised a RM442 million Sukuk Al-Ijarah which was well taken up by the capital markets and a RM300 million Musyarakah Facility provided by the Lembaga Tabung Angkatan Tentera. This move enabled the Group to unlock the inherent value of these assets, improve our gearing levels and realise gains of RM163 million. The proceeds have placed the Group on a better footing by liquidating short term bridge finance, thereby improving our balance sheet.

Under the ABS programme, the Group entered into a sale and purchase agreement of the beneficial rights of identified plantation assets to Golden Crop Returns Berhad, a special purpose vehicle, for a consideration of RM742 million. However, the Group will continue to generate operating profits from these assets through a lease back arrangement.





## OUTLOOK

We have not sat on our laurels with regards to strengthening earnings potential from our core divisions. Instead, we have expanded our prospects through investments in two new sectors.

For our Property Division, we expect the Curve and our property development sub-division to contribute more positively with heightened consumer spending and domestic demand.

The Plantation Division is expecting to see an improvement in crude palm oil prices in the coming year in tandem with rising soy oil prices. In addition, with increased areas of our estates progressing into maturity, enhanced returns are expected.

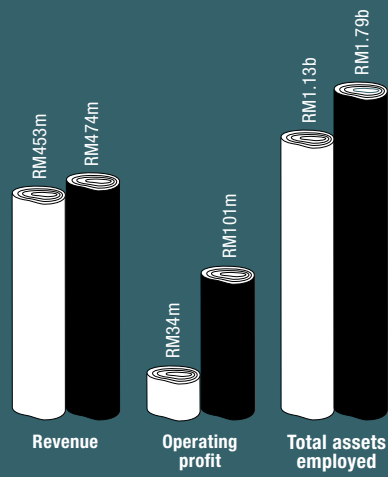
The Group's petroleum retail business will focus on operational and marketing initiatives for the coming year. Our aim is to create a strong petroleum retail brand that has top-of-the-mind recall for excellent service standards and facilities.

The Group will also be focusing its efforts in unlocking the potential of PSC-Naval Dockyard. While we are currently doing our best to restructure and improve the situation in the dockyards, we are confident of delivering on our contractual obligations to the Government. The first two off-shore petroleum vessels are targeted for delivery by mid 2006.

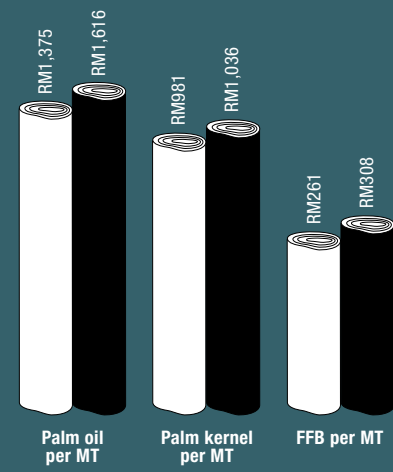
To this end, I present to you our review of operations by divisions with a further segmentation of key sectors within each division. We trust you will find this detailed review informative.

**Tan Sri Dato' Lodin  
Wok Kamaruddin**  
Group Managing Director  
28 February 2006

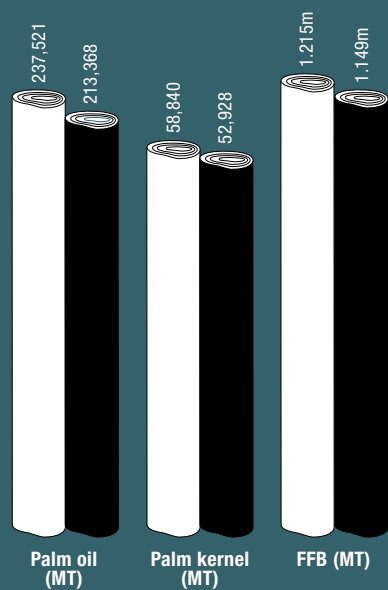
### Financial Highlights



### Average Prices Realised



### Production



### Employees



### Planted Area



● 2005 ● 2004



# Plantation Division

## OVERVIEW

2005 was a mixed year for the Plantation Division, which saw the palm oil market fluctuating throughout the year due to various internal and external factors including the increase in petroleum prices, sharp increases in Crude Palm Oil (CPO) supply and the removal of the Ringgit peg to the US Dollar.

These challenges underscore the economic environment that we operate in and had a direct impact on our earnings. As a result, the division registered a lower operating pre-tax profit of RM34 million on the back of a turnover of RM453 million. In addition, there were exceptional gains of RM163 million derived from the Asset Backed Securitisation (ABS) programme and a further RM20 million from the disposal of assets in Sabah. These gains helped negate the deficit of RM83 million arising from the impairment of assets in Indonesia.

## MARKET REVIEW

The year 2005 saw palm oil, soy oil and most other vegetable oils on a weakening trend as world production increased more sharply than demand. Malaysian palm oil production continued to increase for seven consecutive years reaching 15.0 million MT in 2005 from 14.0 million MT the previous year.

Although the market started on a high note, prices subsequently trended lower as the year progressed on concerns that stocks would build up and that the removal of the Ringgit peg would translate into lower prices. The Division recorded an average CPO price of RM1,375 per MT, which was 15% lower than the previous year's average of RM1,616 per MT. Nevertheless, our gross CPO selling price at RM1,399 (inclusive of East Malaysian CPO discount) compared favourably with the industry's average of RM1,394 per MT.

The year has been an eventful one for the Malaysian palm oil industry. In August 2005, the Government announced the National Biofuel Policy to spur the development of the biofuel industry in Malaysia. The four-pronged strategy encompasses the production of a biofuel blend of 5% processed palm oil and 95% diesel (or B5), encouraging the use of B5 among the public. Towards this end, the Boustead Group also intends to venture into the production of palm based bio-diesel.





## LANDBANK

Our total landbank at year end stands at 106,147 hectares, inclusive of the 36,260 hectares utilised under the sale and leaseback arrangement from the ABS programme. This was a reduction from last year due mainly to the disposal of fringe properties comprising the 1,501 hectare Ladang Silasuka and Ladang Sungai Manar in Sabah. As mentioned earlier, profit from this disposal amounted to RM20 million.

The total landbank under cultivation in 2005 was 78,739 hectares, out of which oil palm continued to be the Division's predominant crop accounting for 78,238 hectares.

The year also saw another 3,902 hectares of palms coming into maturity, bringing the total mature area to 73,679 hectares. Although the mature area has increased to 94%, the age profile remained young. On this score, young mature palms (6 years and below) formed 25% of the total mature holding of which 50% of the palms are in the first and second year of production. Also, 25% of the prime mature hectarage (age group 7 years and above) were just reclassified under this category. Immature palm holdings stand at 4,559 hectares.

## ESTATE OPERATIONS

The knock-on effect of soaring petroleum prices affected many industries including the plantation sector. However, proactive measures to improve productivity through the Yield Improvement Programme (YIP), mechanisation and pursuing the culture of Excellence in Application has resulted in improved overall yield and lower production cost. Production cost for the year decreased to RM178 per tonne fresh fruit bunch (FFB) from RM180 per MT recorded in the previous year.

Also, the Group recorded an overall increase of 6% in total FFB production to 1,215,000 MT in 2005 (2004: 1,149,000 MT), while average yield per hectare of our prime area was indeed encouraging at 22 MT per hectare in spite of the young age profile of our palms. In view of this age profile, the Group's overall yield was encouraging, averaging 16.9 MT compared with 16.0 MT last year.



Despite facing difficult situations in Sumatra, Indonesia the Division continued to do its utmost to improve operations. To minimise turnover of its labour force, a productivity oriented wage system was introduced, complemented by improved housing quarters and amenities for its workers. In addition, the construction of roads into planting areas have facilitated better crop recovery, improved upkeep and enhanced workforce supervision. Moving forward and in line with the continued improvement of the socio-political environment, the Division is investing further in constructing a palm oil mill with an initial capacity of 20 MT per hour.



## **MILLS OPERATIONS**

Our nine palm oil mills processed a total of 1.16 million MT of FFB, achieving an oil extraction rate of 20.4% and a kernel extraction rate of 5.1%.

The year also saw the commencement of construction work for two new mills in Sabah and Sumatra. These mills will have a 40 MT and 20 MT per hour capacity respectively.

These mills will also feature an innovative mill design developed in-house called the Modular Compact design that requires less area to operate in and as such, offers

cost savings in terms of the rent premium associated with the conversion of agriculture land to industrial land.

Moving forward, while seven of the Division's mills have already been accredited with the ISO9001:2000 Quality Management System, our latest mill in Loagan Bunut, Miri, Sarawak, and the Division's Engineering and Consultancy Services of the Group's Engineering Department are also expected to be ISO certified in 2006. Additionally, preparatory efforts are underway to obtain HACCP/EMS/ISO 14001 certification for all mills starting with the Trong Palm Oil Mill.



## INNOVATION

We will further enhance the use of the precision agriculture technique inherent in the YIP model with the introduction of a decision support system tool known as the Boustead-AAR GIS Map Management System. The tool allows quick and accurate decision-making process in the implementation of precision agriculture practices.

With the successful adaptation of the mini-tractor-grabber in-field collection system to a platform collection system and the bin-system of main line crop evacuation, the Group will expand its usage to its Sabah and Sarawak estates which experienced a prolonged wet weather and slippery road conditions. These efforts are expected to raise labour productivity and progressively reduce maintenance cost of field roads.

In 2005, the Division completed the research and development of a zero-waste zero-discharge treatment technique known as the Boustead Biotherm Palmass Treatment Process. As an end result, this environmentally friendly process also produces organic fertiliser which will help to substantially reduce the reliance on inorganic fertiliser. This breakthrough has been filed for patenting.





The year also saw us making headway in putting in place our objectives to see all replanting and new planting programs utilising the clonal material developed by Advanced Agriecological Research Sdn Bhd (AAR). Initial results from the clonal planting in Ladang Segaria have shown very positive results in terms of oil yield.

And as a start, the first phase of Boustead Sedili Estate, a joint venture project totalling 1,000 hectares with Johor State Government, have been planted with this clonal material during the year.

We expect to begin construction of a Biotechnology Laboratory in 2006. Aided by the synergies present with the University of Nottingham Malaysia Campus, the laboratory is set to mark Boustead's entry into biotechnology.









**LEGEND**

- Estate
- Estate with palm oil mill
- Bulking installation

**PENINSULAR MALAYSIA**

- 1 Batu Pekaka
- 2 Kuala Muda \*
- 3 Stothard \*
- 4 Kedah Oil Palm \*
- 5 Bukit Mertajam
- 6 Malakoff \*
- 7 Bulking Installation
- 8 TRP \*
- 9 Malaya
- 10 Lapan Kabu
- 11 Solandra

- 12 LTT-Terenganu
- 13 Sungai Jernih \*
- 14 Bebar \*
- 15 Balau
- 16 Bekoh
- 17 Eldred \*
- 18 Kulai Young
- 19 Chamek
- 20 Boustead Sedili
- 21 Telok Sengat

**SABAH & SARAWAK**

- 22 Sungai Sungai 1 \*
- 23 Sungai Sungai 2 \*
- 24 Kawananan \*
- 25 Resort \*
- 26 Nak \*
- 27 Sutera \*

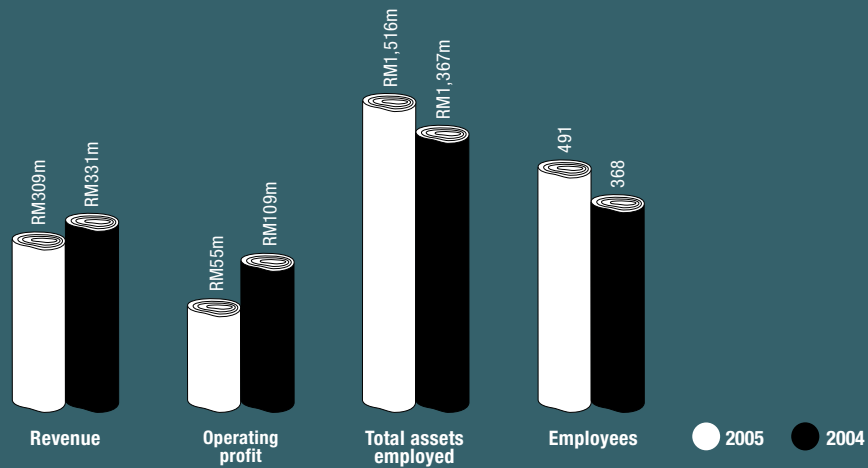
- 28 Pulau Bai
- 29 LTT-Sabah \*
- 30 Segaria \*
- 31 Sungai Segamaha \*
- 32 Bukit Segamaha \*
- 33 Loagan Bunut
- 34 Sungai Lelak
- 35 Bukit Limau
- 36 Pedai
- 37 Jih
- 38 Kelimut
- 39 Maong
- 40 Mapai
- 41 Bawan

**INDONESIA**

- 42 Anam Koto
- 43 Bingin Rupit

\* Estate / Palm oil mill included in the ABS programme.

## Financial Highlights



The property market in 2005 was challenging due to various factors including the rise in cost of materials, an over supply of residential properties, condominiums and apartments in selected locations and diminishing incentives to fuel buying interest in properties. As a result of this, the Property Division registered a reduced profit of RM55 million on the back of a turnover of RM309 million for the year ended 31 December 2005.

### PROPERTY DEVELOPMENT

This sub-section remained the primary thrust of the Division. Anchored by our reputable and award-winning Mutiara Homes brand, we see our two flagship projects in Selangor and Johor, spearheaded by *Mutiara Rini Sdn Bhd*, contributing to our bottom-line.



Our *Mutiara Damansara* township features notably on the radars of property market investors. Naturally, as this development matures into a viable and appealing integrated township that sits on prime land, demand and interest for any remaining units is expected to be strong.

In 2005, the focus was placed on the growth of this township's commercial elements. Following the successful opening of the Curve, the Group's lifestyle mall, the year saw construction activities for the corporate offices of Cycle & Carriage Bintang, UAC, Bentley School of Music, Batu Kawan and UMW Toyota kicking off.

Upon completion, these corporate offices are expected to boost the day-time working population of the entire commercial precinct. This will certainly have an impact in enhancing the retail appeal for the Curve and its surrounding retail partners in the future.







Royale Bintang Damansara also successfully opened its doors in the fourth quarter of 2005. The hotel completes this township's proposition as an integrated one-stop retail and commercial precinct.



This progress naturally calls for enhanced infrastructure, especially in terms of access points. Towards this end, the flyover connecting Mutiara Damansara to the Penchala Link was completed during the year with the Group's financial contribution making this possible.





POWER CENTRE

IKEA

Courre

TESCO

Aerial view of access points into Mutiara Damansara

In addition, Boustead Petroleum Marketing Sdn Bhd acquired in 2005, a plot of land to develop a petrol station and adjoining convenience store. This will enhance further the amenities in the township.

Looking ahead, with the enhanced commercial elements, complemented by ready and pre-planned infrastructure for greater accessibility, this township is poised to see its future offerings, including the upcoming series of 'Super-Link' houses fetch a premium in the market.

In Mutiara Rini, Johor, the division continues to see a tight property market due to an over-supply of residential properties. Nevertheless, our strategy of focusing on niche market segments in search of prime location with nearby amenities and conveniences has worked. Indeed, much thought, effort and commitment has been invested into this project since its inception to ensure that our residents have ample facilities and amenities on top of owning products of quality.

This development has received positive response and todate, more than a 90% take-up rate has been achieved. Boustead Properties will be launching a further series of single and double storey terrace houses in 2006.

2005 also saw work commence on a luxury condominium project in Jalan Ampang that consists of 40 residential units. The project to be completed by 2009, is expected to be well received, thanks to its prime location.

The Division's foray up north in Bukit Mertajam via *Jernih Rezeki Sdn Bhd* has successfully completed the development and handover of the entire 36-acre Taman Jernih development project undertaken as part of a joint-venture initiative with the Keppel Group of Singapore. This residential project involves a total of 513 homes and handover of the final phase took place in the fourth quarter.



Our development projects in the state of Penang, received approvals in principle for the development of service apartments, an office block and a three-storey heritage building at the historical Weld Quay site in the state. Work on this project will commence in 2006 and is expected to be completed by 2008.

*Boustead Construction Sdn Bhd* provided project management services that resulted in the successful completion of the 100-acre University of Nottingham Malaysia Campus in Semenyih, Selangor and Chulan Tower along Jalan Conlay, Kuala Lumpur.

## **PROPERTY INVESTMENT**

*Boustead Curve Sdn Bhd's* strategy of innovation via differentiation is paying-off and the Curve, has certainly won the hearts of many in Malaysia and beyond as a lifestyle and shopping destination of choice.





A year since its opening, the Curve has seen a significant increase in visitors. This was even more evident during the recent Deepavali, Hari Raya, Christmas and New Year festive seasons where the mall received a tremendous surge in shoppers and visitors thanks to the various unique attractions and events organised by the Curve.

With the opening of one of the world's leading bookstores, Borders spanning 24,000 sq ft, the Curve's reputation as a top shopping destination in the country has been further enhanced. To date, tenancy at the Curve surpasses 90% with the Metrojaya Group recently signing on to house its brand new concept fashion store which will occupy two levels with 60,000 square feet of retail space.

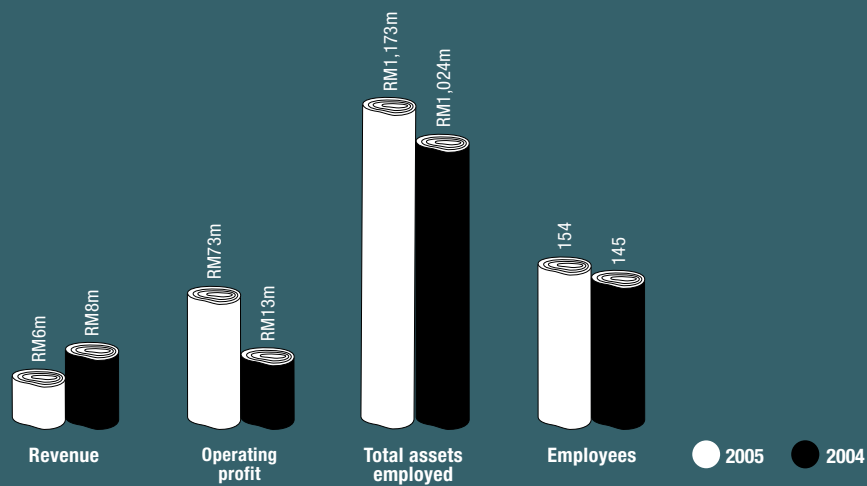
In addition, the Group's second hotel, Royale Bintang Damansara just a month after its opening is already seeing almost full occupancy. It is expected to complement the Division's existing hotel, Royale Bintang Kuala Lumpur, in delivering strong earnings.



The District Cooling Plant (DCP) at the Curve which is owned and managed by *Boustead Linear Corporation Sdn Bhd*, is expected to enhance its contribution to our earnings in the coming fiscal year when Cineleisure Damansara is completed. The opening of this state-of-the-art entertainment and lifestyle venue will see the DCP system being fully operational.

The Division is also enjoying more than 85% occupancy rates in its stable of office properties including Wisma Boustead, Menara Boustead and Menara Affin. Rental for these notable landmarks are expected to be reviewed to reflect improving market rates in the central business district.

## Financial Highlights



Our financial services business continues to be the growth driver for this Division. This coupled with lower impairment loss recorded during the year under review resulted in a pre-tax profit of RM73 million compared to last year's RM13 million.

*Affin Holdings Berhad*, the key contributor reported an impressive audited Group pre-tax profit of RM331 million on the back of a turnover of RM1,791 million in 2005.

*Affin Bank's* pre-tax profit increased to RM225 million which outpaced the gain of RM185 million posted a year ago. The Bank's positive showing was attributable mainly to higher net interest income on the enlarged loan base following the merger with Affin-ACF Finance.



## Finance & Investment Division

The merger also contributed in part to the continued lowering of net non-performing loans ratio, which registered 13.8% at the end of 2005 from the previous year's ratio of 23.6%. The Bank's risk weighted capital ratio also improved marginally to 14.8% from 14.6% the year before.

Affin Merchant Bank posted a pre-tax profit of RM58 million, representing a 66% growth over last year. This performance was attributed to increases in both non-interest income and income from Islamic banking operations, write backs of profit equalisation reserve and loan loss provisions during the year.

Affin Discount's pre-tax profit of RM19 million was 42% lower than last year due to lower non-interest income and higher overheads.

Affin Securities incurred a loss of RM869,000 in 2005 as compared to a profit of RM3.5 million recorded a year ago due to reduced brokerage income, the provision for the diminution of securities and a lacklustre capital market.

Affin Fund Management successfully turned around during the year, reporting a surplus of RM216,000 due to an increase in management fee and unit trust sales.

Affin Moneybrokers performed positively, producing a profit of RM2 million, doubling last year's profit due to higher brokerage income. AXA-Affin Assurance also registered a higher profit of RM57 million or 36% more than that registered for the same period last year. The improvement was mainly due to higher earned premium and lower net claims in 2005.

*Royal & Sun Alliance Insurance (M) Berhad* closed the year with a pre-tax profit of RM45 million, an improvement from RM43 million recorded a year ago. During the year, gross premium income grew by 1% to RM228 million, and these increases were largely from Fire, Motor and Accident classes of insurance.

Underwriting profit however increased by more than 37% to RM25 million, due to higher net retention and reduced loss ratio. Investment income was trimmed by 4% to RM24 million, while combined operating ratios were capped at 79% and solvency margin remained very strong at 201%.

*Boustead Credit Sdn Bhd* recorded better results in 2005 with a two-fold increase in profit despite facing stiff competition and lower margins. Stringent credit management control was successful in paring down loan loss provisions during the year.

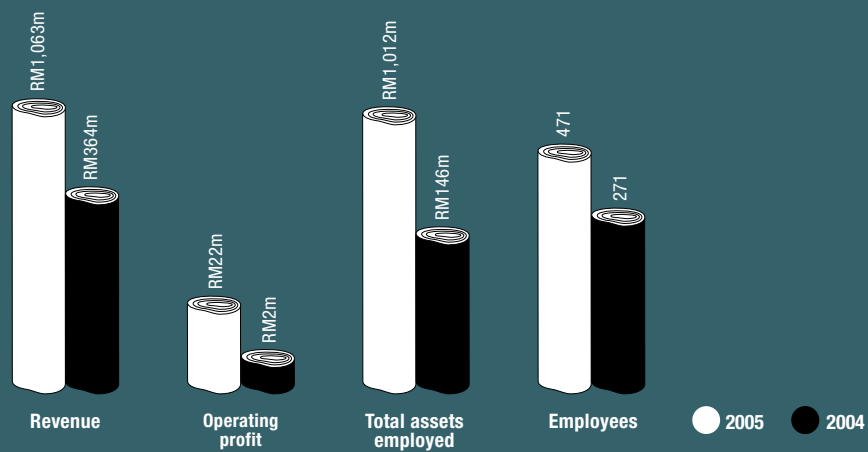
As mentioned earlier in my review, we increased our stake in *PSC Industries Berhad* from 18.6% to 32.7%.

With Boustead's 31% stake in the company, *PSC-Naval Dockyard Sdn Bhd (PSCND)* became an associate company at the end of 2005. PSCND has a contract for the construction of six off-shore patrol vessels (OPV). The first two OPVs are now completed and currently in their testing phase, with the remaining four to follow thereafter. Clearly the focus now is to ensure the timely delivery of these remaining patrol vessels to Tentera Laut Diraja Malaysia. Upon this successful delivery, the Group expects to make significant headway in securing more projects from the Malaysian Government given its experience and track record.





## Financial Highlights



This year the group spearheaded and brought to fruition a corporate exercise that emphasised synergy by the completion of our acquisition of BP Malaysia Sdn Bhd. This resulted in the Division recording a significant increase in pre-tax profit of RM22 million on a turnover of RM1,063 million.

Signalling our entry as a significant participant into the downstream petroleum retail sector, this subsidiary, renamed *Boustead Petroleum Marketing Sdn Bhd* is currently in the midst of a re-branding and an image-makeover exercise for all 245 petrol kiosks. For the last quarter of 2005, this business stream contributed a pre-tax profit of RM25 million on gross revenue of RM650 million, attributable mainly to lower product costs and the effect of a favourable price lag.



*Boustead Global Trade Network Sdn Bhd* posted a 9% improvement in sales volume compared to the previous year. This was due to significant improvements in its operations in West Malaysia. The general insurance business performed better than last year, registering an 11% growth in insurance commission earned.

Despite the heightened challenges of the domestic construction industry, *Boustead Building Materials Sdn Bhd* was operationally profitable in 2005 and this was achieved through strict credit management, greater efficiency in inventory management along with aggressive sales efforts. However, the provision of old debts and clearance of obsolete stocks had an adverse impact on this unit.

*Boustead Engineering Sdn Bhd* maintained its profit growth trend due to higher sales revenue from its mechanical industrial supplies. The coming year also holds positive prospects as the company managed to secure the baggage handling system for the low cost carrier air terminal at KLIA.

*Boustead Emastulin Sdn Bhd* experienced a challenging year due to limited sale of heavy commercial vehicles and

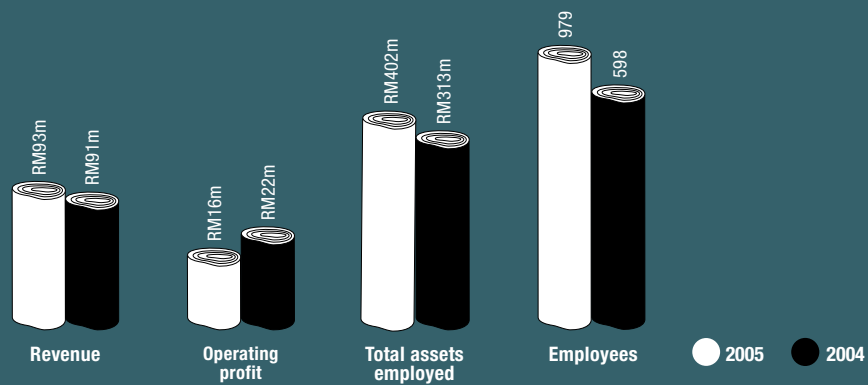
intense price competition. While sales of passenger cars rose by 36% this was however off-set by tighter margins and heightened competition.

*Riche Monde Sdn Bhd* ended the year on a high note with a strong profit before tax. The unit maintained their position with their offering of leading brands complemented with successful cross channel marketing. Albeit rising operational costs, the unit achieved higher average revenue per standard case during the year compared to a year ago.

*Drew Ameroid Sdn Bhd* recorded a modest increase in turnover and profit before tax for the year rose 11% despite the highly competitive water treatment chemical market. Through its association with US-based Ashland Group, the unit continues to maintain its market share. It also introduced the patented environmentally friendly 'Sonoxide' technology which replaces the use of biocides in cooling water systems in Malaysia.

*Wah Seong Boustead Co Ltd* registered improvements through a distribution network of pharmaceutical operations in Myanmar.

## Financial Highlights



For the year ended 31 December 2005, the Division faced various challenges including the rise in material costs, tightening of domestic demand on selected core sectors and investments which have yet to achieve their full potential. Nevertheless, the Division performed commendably and contributed a pre-tax profit of RM16 million from a revenue contribution of RM93 million.

## MANUFACTURING

*UAC Berhad* remained as the key contributor to this sub-division, despite a drop of 17% in pre-tax earning of RM40.4 million from a turnover of RM180 million. Rising material costs and contraction of domestic demand for this unit's core building products was cushioned by the strong demand for its range of building products from other parts





## Manufacturing & Services Division

of the world from East Asia to Europe and the South Indian continent. The growth in export sales made up for the reduction in the domestic market.

The UAC group is strengthening the performance of its manufacturing facilities and has successfully enhanced production efficiencies during the year under review. Naturally, this would contribute positively to its bottom-line. The operating unit is also planning to relocate its corporate head office to Menara UAC, construction of which is scheduled to commence in the first quarter of 2006 at Mutiara Damansara.

The year under review saw the successful relocation of *Boustead Sissons Paints Sdn Bhd's* production facility to the new purpose-built plant in Nilai, Negri Sembilan. While it was a demanding year due to rising production and operation cost, this more efficient and enhanced facility is expected to play a role in enhancing competitiveness in the near future. The company also sold its former facility in Section 14 Petaling Jaya for a gain of RM6 million.

In order to remain competitive, *Kao Malaysia Sdn Bhd* is committed to its investment in building brand equity by engaging in aggressive marketing communications programmes. The company's foresight in consumer trends resulted in its consistency in introducing products that helped to sustain market share in their respective categories.

Similarly, *Cadbury Confectionery Malaysia Sdn Bhd* maintained its pole position throughout 2005 via creative in-store promotions and displays, which also resulted in stronger consumer buy-in. This dedicated brand building effort has invariably led to enhanced profit performance in 2005.







## EDUCATION

The new campus of the University of Nottingham Malaysia Campus (UNMC), which is owned and operated by *University of Nottingham in Malaysia Sdn Bhd*, was officially declared open in the second half of 2005 by the Deputy Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib bin Tun Abdul Razak, on behalf of the Prime Minister.

Occupying a scenic position overlooking green hills, the campus is a self-contained and self-sufficient neighbourhood village in a garden environment. The facility which combines a high quality living environment with state of the art learning and teaching facilities, provides residential accommodation both on-campus and in the neighbouring vicinity. Meanwhile, a teaching facility located in Jalan Conlay will continue to be retained for post-graduate programmes.

For the 2005/2006 academic year, UNMC's student intake surpassed expectations by registering more than 1400 students compared to 900 students in the previous year.

Additionally, in line with the University's commitment to enhance its appeal as a top-notch education institution, two additional courses, namely Pharmacy and Master of Laws in International Legal Studies, were introduced this academic year. Additional courses in Applied Psychology, Civil Engineering, Education and Plant Bio-Technology, will be introduced in the future.

## SERVICES

The positive environment in the liner agency business enabled *Boustead Shipping Agencies Sdn Bhd* to enjoy a steady volume of bookings for freight forwarding. The Singapore operations were also profitable due to positive results derived from its freight forwarding business.

Despite a challenging year, *Boustead Travel Services Sdn Bhd* achieved a commendable performance in 2005. Corporate ticketing is this unit's niche business and main source of revenue, followed by outbound tours and incentive travel. Eurorail products performed well while the Umrah packages gained ground.

*Boustead Information Technology Sdn Bhd* ended the year with a loss due to lower margins. The company was given the responsibility to manage several new projects including the custodian migration of the Wide Area Network and the implementation of the Enterprise Resource Planning System for *Boustead Petroleum Marketing Sdn Bhd*.

*Asia Smart Cards Centre Sdn Bhd* once again yielded attractive returns as the company benefited from growing demand for chip-based ATM cards from various financial institutions.







# Financial Statements

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The Directors have pleasure in presenting their report and the audited financial statements for the Group and the Company for the financial year ended 31 December 2005.

#### **PRINCIPAL ACTIVITIES**

Boustead Holdings Berhad was incorporated in Malaysia in 1960 and its principal activities are investment holding and oil palm plantation. With the acquisition of Boustead Petroleum Marketing Sdn Bhd (BPM) during the year, the Group also commenced marketing of petroleum products. The Group currently comprises more than seventy Subsidiary and Associated Companies, the principal activities of which are described on pages 156 to 159.

There have been no significant changes in the nature of these activities during the financial year, except as disclosed above.

#### **RESULTS**

|                                | <b>Group<br/>RM'000</b> | <b>Company<br/>RM'000</b> |
|--------------------------------|-------------------------|---------------------------|
| Profit after taxation          | 230,447                 | 18,218                    |
| Minority interests             | (39,944)                | —                         |
| <b>Net profit for the year</b> | <b>190,503</b>          | <b>18,218</b>             |

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the gain on disposal of plantation assets and the impairment loss as disclosed in Note 3 to the financial statements, the acquisition of BPM, and amortisation of reserve on consolidation referred to in Note 5 to the financial statements.

#### **DIVIDENDS**

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

- (a) A final dividend of 12.0% per share less tax paid on 25 May 2005, amounting to RM25,168,000 in respect of the previous financial year as proposed in the Directors' Report of that year;



- (b) a first interim dividend of 10.0% per share less tax paid on 18 November 2005, amounting to RM21,203,000 in respect of the financial year under review; and
- (c) a second interim dividend of 10.0% per share less tax paid on 11 January 2006, amounting to RM21,284,000 in respect of the financial year under review.

The Directors have proposed a final dividend of 12% per share less tax, amounting to RM25,578,000 making the total for the year 32% per share less tax, amounting to RM68,065,000.

These financial statements do not reflect the final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profit in the year ending 31 December 2006.

## **DIRECTORS**

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

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

## **DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Boustead Holdings Berhad Employees' Share Option Scheme, the option to subscribe for shares of Boustead Petroleum Sdn Bhd and the option granted by the holding corporation, Lembaga Tabung Angkatan Tentera.

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 3 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 35 to the financial statements.

## DIRECTORS' INTERESTS

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

|  | At<br>1/1/05 | Acquired  | Sold     | At<br>31/12/05 |
|--|--------------|-----------|----------|----------------|
| <b>Boustead Holdings Berhad</b>                            |              |           |          |                |
| <i>Shares of RM0.50 each</i>                               |              |           |          |                |
| Y. Bhg. Tan Sri Dato' Lodin Wok<br>Kamaruddin              | 3,600,000    | 6,500,000 | (7,200)  | 10,092,800     |
| Tuan Hj. Johari Muhamad Abbas                              | 66,666       | —         | —        | 66,666         |
| <i>Shares of RM1.00 each</i>                               |              |           |          |                |
| <b>Boustead Properties Berhad</b>                          |              |           |          |                |
| Tuan Hj. Johari Muhamad Abbas                              | 42,500       | —         | —        | 42,500         |
| Y. Bhg. Datuk Azzat Kamaludin                              | 5,000        | —         | —        | 5,000          |
| <b>Affin Holdings Berhad</b>                               |              |           |          |                |
| Y. Bhg. Gen. (R) Tan Sri Dato'<br>Mohd Ghazali Hj. Che Mat | 91,708       | —         | —        | 91,708         |
| Y. Bhg. Tan Sri Dato' Lodin Wok<br>Kamaruddin              | 8,714        | —         | —        | 8,714          |
| Tuan Hj. Johari Muhamad Abbas                              | 27,000       | —         | —        | 27,000         |
| Y. Bhg. Datuk Azzat Kamaludin                              | 110,000      | —         | —        | 110,000        |
| <b>Johan Ceramics Berhad</b>                               |              |           |          |                |
| Y. Bhg. Dato' (Dr.) Megat Abdul<br>Rahman Megat Ahmad      | 2,000        | —         | —        | 2,000          |
| <b>Affin Holdings Berhad</b>                               |              |           |          |                |
| <b>– Warrants (W1/W2/W3)</b>                               |              |           |          |                |
| <i>Number of Units</i>                                     |              |           |          |                |
| Y. Bhg. Tan Sri Dato' Lodin Wok<br>Kamaruddin              | 1,500        | —         | —        | 1,500          |
| Tuan Hj. Johari Muhamad Abbas                              | 8,378        | —         | *(3,378) | 5,000          |
| Y. Bhg. Datuk Azzat Kamaludin                              | 22,500       | —         | —        | 22,500         |

\*expired during the year

|   | <b>At<br/>1/1/05</b> | <b>Granted</b> | <b>Exercised</b> | <b>At<br/>31/12/05</b> |
|---|----------------------|----------------|------------------|------------------------|
| <b>Boustead Holdings Berhad</b><br><i>Options over Ordinary Shares<br/>of RM0.50 each</i> |                      |                |                  |                        |
| Y. Bhg. Tan Sri Dato' Lodin Wok<br>Kamaruddin   | 400,000              | —              | —                | 400,000                |

In addition, Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin was granted a five-year option by Lembaga Tabung Angkatan Tentera (LTAT) to acquire 9,500,000 Boustead Holdings Berhad shares of RM0.50 each from LTAT at RM1.61 per share. The option which expired on 22 November 2005 has been fully exercised.

In recognition of Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin's contributions to the Boustead Group, in particular in the negotiations leading up to acquisition of BP Malaysia Sdn Bhd (BPM) and to enhance his commitment as Chairman and shareholder of BPM specifically and the Boustead Group generally, the Company's Board of Directors had offered him an option to acquire existing ordinary shares of RM1.00 each of up to five percent (5%) of the enlarged issued and paid up capital of Boustead Petroleum Sdn Bhd (formerly known as Boustead Mint Sdn Bhd). The option comprising 4,087,500 ordinary shares of RM1 each will be issued for cash at par together with holding costs of 6% per annum chargeable on a monthly rest basis. The option will expire within two years from the date of granting.

#### **ISSUE OF SHARES**

During the financial year, the Company's issued and paid up share capital was increased from RM289,770,144 to RM296,045,144 through the issuance of 12,550,000 ordinary shares of RM0.50 for cash at exercise prices of ranging from RM0.94 to RM1.50 per ordinary share. The new ordinary shares issued during the financial year rank pari passu with the ordinary shares existing then.



### **EMPLOYEES' SHARE OPTION SCHEME**

The Boustead Holdings Berhad Employees' Share Option Scheme (ESOS) is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 27 April 2001. This Scheme replaces the previous ESOS that expired on 13 June 2001. The ESOS was implemented on 23 July 2001 and is to be in force for a period of 5 years from the date of implementation.

The main features of the Scheme are disclosed in Note 26 to the financial statements.

### **OTHER STATUTORY INFORMATION**

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

- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

#### **SUBSEQUENT EVENT**

Mutiara Rini Sdn Bhd, a wholly owned Subsidiary of Boustead Properties Berhad had on 14 February 2006 entered into a sale and purchase agreement (SPA) with Lembaga Tabung Angkatan Tentera (LTAT) for the disposal of a 26-storey office tower to be erected on a freehold development land situated at Mutiara Damansara at a total consideration of RM168 million. The proposed disposal to LTAT is conditional upon the approval of shareholders of Boustead Properties Berhad.

#### **SIGNIFICANT EVENTS**

- (a) On 12 December 2005, the Company announced its intention to acquire from Affin Bank Berhad 36,000,001 ordinary shares of RM1.00 each representing approximately 27.7% equity interest in PSC-Naval Dockyard Sdn Bhd (PSCND) for a cash consideration of RM150.12 million. The purchase consideration will be paid in three (3) equal annual instalments of RM50.04 million each, together with a holding cost of 5% per annum until full payment. The proposed acquisition is conditional upon the approval of shareholders of the Company.
- (b) On 16 September 2005, the Company entered into a share sale agreement (SPA) with Limaran Logistics Sdn Bhd (Limaran) to acquire 40,000,000 ordinary shares of RM1.00 each representing approximately 30% of the issued and paid-up share capital of PSCND for a cash consideration of approximately RM166.5 million.

Subsequently on 2 December 2005, the Company agreed with Limaran to terminate the SPA, and instead entered into a conditional share sale agreement (SSA) to acquire the entire equity interest in Limaran comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. The SSA was completed on 31 December 2005.

#### **SIGNIFICANT EVENTS (CONT'D)**

- (c) On 22 March 2005, the Company announced to Bursa Malaysia its intention to embark on an asset backed securitisation exercise (ABS Programme) involving the sale of the Group's beneficial interests in certain plantation assets to a Special Purpose Vehicle (SPV) for an indicative cash consideration of RM756 million and the proposed leaseback from the SPV of these plantation assets. The ABS Programme which was approved by shareholders at an Extraordinary General Meeting convened on 22 June 2005, was duly completed on 22 November 2005 and the final consideration of RM742 million was received through proceeds raised from the issuance of RM442 million of Sukuk Al-Ijarah, or Islamic bonds and a RM300 million Musyarakah facility by the SPV.
  
- (d) On 30 September 2005, the Group through its Subsidiary Boustead Petroleum Sdn Bhd (formerly known as Boustead Mint Sdn Bhd) acquired 58,310,000 ordinary shares of RM1.00 each representing 70% of the issued and paid-up share capital of BP Malaysia Sdn Bhd (now renamed Boustead Petroleum Marketing Sdn Bhd) for a cash consideration of RM409 million. On even date, Tegas Pertini Sdn Bhd subscribed and paid for 43% of the enlarged issued and paid-up share capital of Boustead Petroleum Sdn Bhd pursuant to the Subscription & Shareholders Agreement dated 5 September 2005.
  
- (e) During the year, the Group subscribed for 51% of the issued and paid up capital of Idaman Pharma Manufacturing Sdn Bhd comprising 510,000 ordinary shares of RM1 each at par for cash.



**AUDITORS**

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

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

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

Kuala Lumpur  
28 February 2006

**TAN SRI DATO' LODIN WOK KAMARUDDIN**

### **STATEMENT BY DIRECTORS**

We, GEN. (R) TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT and TAN SRI DATO' LODIN WOK KAMARUDDIN, being two of the Directors of BOUSTEAD HOLDINGS BERHAD do hereby state that, in the opinion of the Directors, the financial statements set out on pages 92 to 159 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

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

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

Kuala Lumpur  
28 February 2006

**TAN SRI DATO' LODIN WOK KAMARUDDIN**

# Statement by Directors and Statutory Declaration

## **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 92 to 159 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 28 February 2006.

Before me

**ZAINALABIDIN BIN NAN**  
Commissioner for Oaths  
Kuala Lumpur

**DANIEL EBINESAN**



### **TO THE MEMBERS OF BOUSTEAD HOLDINGS BERHAD**

We have audited the financial statements set out on pages 92 to 159. These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion,

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

# Auditors' Report

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its Subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports thereon of the Subsidiaries of which we have not acted as auditors, as indicated on pages 156 to 159, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the Subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

**ERNST & YOUNG**  
AF: 0039  
Chartered Accountants

Kuala Lumpur  
28 February 2006

**CHOONG MEI LING**  
No. 1918/09/06(J)  
Partner

**FOR THE YEAR ENDED 31 DECEMBER 2005**

|                                | Note | Group              |                | Company         |                |
|--------------------------------|------|--------------------|----------------|-----------------|----------------|
|                                |      | 2005<br>RM'000     | 2004<br>RM'000 | 2005<br>RM'000  | 2004<br>RM'000 |
| <b>Revenue</b>                 | 2    | <b>1,924,170</b>   | 1,267,743      | <b>61,217</b>   | 48,639         |
| Operating cost                 | 3    | <b>(1,659,440)</b> | (1,019,592)    | <b>(67,301)</b> | (60,544)       |
| Results from operations        |      | <b>264,730</b>     | 248,151        | <b>(6,084)</b>  | (11,905)       |
| Interest income                | 4    | <b>4,187</b>       | 2,426          | <b>10,505</b>   | 4,445          |
| Other investment income/(loss) | 5    | <b>30,015</b>      | (36,774)       | <b>123,885</b>  | 380,111        |
| Finance cost                   | 6    | <b>(109,669)</b>   | (88,509)       | <b>(67,885)</b> | (61,747)       |
| Share of results of Associates |      | <b>110,813</b>     | 121,460        | —               | —              |
| <b>Profit before taxation</b>  |      | <b>300,076</b>     | 246,754        | <b>60,421</b>   | 310,904        |
| Taxation                       | 7    | <b>(69,629)</b>    | (70,794)       | <b>(42,203)</b> | (117,300)      |
| Profit after taxation          |      | <b>230,447</b>     | 175,960        | <b>18,218</b>   | 193,604        |
| Minority interests             |      | <b>(39,944)</b>    | (56,800)       | —               | —              |
| <b>Net profit for the year</b> |      | <b>190,503</b>     | 119,160        | <b>18,218</b>   | 193,604        |



# Income Statements

|                                  | Note | Group        |             | Company      |             |
|----------------------------------|------|--------------|-------------|--------------|-------------|
|                                  |      | 2005<br>sen  | 2004<br>sen | 2005<br>sen  | 2004<br>sen |
| <b>Earnings per share</b>        | 8    |              |             |              |             |
| Basic                            |      | <b>32.49</b> | 20.93       |              |             |
| Fully diluted                    |      | <b>30.50</b> | 20.28       |              |             |
| <b>Gross dividends per share</b> | 9    | <b>16.00</b> | 16.00       | <b>16.00</b> | 16.00       |

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

**AS AT 31 DECEMBER 2005**

|                                     | Note | Group            |                | Company          |                |
|-------------------------------------|------|------------------|----------------|------------------|----------------|
|                                     |      | 2005<br>RM'000   | 2004<br>RM'000 | 2005<br>RM'000   | 2004<br>RM'000 |
| <b>Non current assets</b>           |      |                  |                |                  |                |
| Property, plant and equipment       | 10   | <b>1,537,108</b> | 1,668,656      | <b>13,104</b>    | 64,427         |
| Investment properties               | 11   | <b>692,681</b>   | 605,022        | —                | —              |
| Development properties              | 12   | <b>337,078</b>   | 273,424        | —                | —              |
| Long term prepayments               | 13   | <b>125,657</b>   | —              | —                | —              |
| Subsidiaries                        | 14   | —                | —              | <b>875,628</b>   | 792,111        |
| Associates                          | 15   | <b>1,179,111</b> | 999,623        | <b>975,148</b>   | 757,718        |
| Investments                         | 16   | <b>19,688</b>    | 193,759        | <b>11,069</b>    | 153,531        |
| Deferred tax assets                 | 25   | <b>55,100</b>    | 51,171         | <b>2,484</b>     | —              |
| Goodwill on consolidation           | 17   | <b>107,949</b>   | 4,571          | —                | —              |
|                                     |      | <b>4,054,372</b> | 3,796,226      | <b>1,877,433</b> | 1,767,787      |
| <b>Current assets</b>               |      |                  |                |                  |                |
| Inventories                         | 18   | <b>170,691</b>   | 90,114         | <b>703</b>       | 1,779          |
| Property development<br>in progress | 19   | <b>82,377</b>    | 117,908        | —                | —              |
| Receivables                         | 20   | <b>557,312</b>   | 423,557        | <b>560,459</b>   | 213,707        |
| Deposits, cash and<br>bank balances | 21   | <b>356,376</b>   | 214,775        | <b>6,602</b>     | 12,524         |
|                                     |      | <b>1,166,756</b> | 846,354        | <b>567,764</b>   | 228,010        |
| <b>Current liabilities</b>          |      |                  |                |                  |                |
| Borrowings                          | 22   | <b>1,138,569</b> | 910,273        | <b>497,837</b>   | 431,605        |
| Payables                            | 23   | <b>693,849</b>   | 333,178        | <b>602,470</b>   | 169,346        |
| Taxation                            |      | <b>28,943</b>    | 26,654         | —                | —              |
| Dividend payable                    |      | <b>21,284</b>    | 20,856         | <b>21,284</b>    | 20,856         |
|                                     |      | <b>1,882,645</b> | 1,290,961      | <b>1,121,591</b> | 621,807        |
| Net current liabilities             |      | <b>(715,889)</b> | (444,607)      | <b>(553,827)</b> | (393,797)      |

# Balance Sheets

|                                | Note | Group            |                | Company        |                |
|--------------------------------|------|------------------|----------------|----------------|----------------|
|                                |      | 2005<br>RM'000   | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| <b>Non current liabilities</b> |      |                  |                |                |                |
| Long term borrowings           | 24   | <b>895,133</b>   | 924,201        | <b>417,227</b> | 430,000        |
| Deferred tax liabilities       | 25   | <b>37,995</b>    | 23,269         | —              | 4,330          |
|                                |      | <b>933,128</b>   | 947,470        | <b>417,227</b> | 434,330        |
|                                |      | <b>2,405,355</b> | 2,404,149      | <b>906,379</b> | 939,660        |
| <b>Capital and reserves</b>    |      |                  |                |                |                |
| Share capital                  | 26   | <b>296,045</b>   | 289,770        | <b>296,045</b> | 289,770        |
| Reserves                       | 27   | <b>1,406,675</b> | 1,510,320      | <b>610,334</b> | 649,890        |
| Shareholders' equity           |      | <b>1,702,720</b> | 1,800,090      | <b>906,379</b> | 939,660        |
| Minority interests             |      | <b>683,271</b>   | 530,861        | —              | —              |
| Reserve on consolidation       | 28   | <b>19,364</b>    | 73,198         | —              | —              |
|                                |      | <b>2,405,355</b> | 2,404,149      | <b>906,379</b> | 939,660        |
| Net tangible assets per share  |      | <b>RM2.69</b>    | RM3.10         |                |                |

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



**FOR THE YEAR ENDED 31 DECEMBER 2005**

|   | Share<br>Capital<br>RM'000 | *Share<br>Premium<br>RM'000 | *Revaluation<br>Reserve<br>RM'000 | *Statutory<br>Reserves<br>RM'000 | *Other<br>Reserves<br>RM'000 | Retained<br>Profits<br>RM'000 | Total<br>RM'000 |
|---|----------------------------|-----------------------------|-----------------------------------|----------------------------------|------------------------------|-------------------------------|-----------------|
| <b>GROUP – 2005</b>   |                            |                             |                                   |                                  |                              |                               |                 |
| At 1 January 2005   | 289,770                    | 379,026                     | 81,917                            | 92,249                           | 136,562                      | 820,566                       | 1,800,090       |
| Exchange fluctuation  | —                          | —                           | —                                 | —                                | (14,868)                     | —                             | (14,868)        |
| Changes in group structure  | —                          | —                           | —                                 | —                                | (55)                         | (29)                          | (84)            |
| Dilution in Associates  | —                          | —                           | —                                 | (13,392)                         | —                            | (11,597)                      | (24,989)        |
| Recognition of reserves upon<br>transfer of investment to Associate | —                          | —                           | —                                 | —                                | —                            | (196,433)                     | (196,433)       |
| Net losses not recognised<br>in the income statement                | —                          | —                           | —                                 | (13,392)                         | (14,923)                     | (208,059)                     | (236,374)       |
| Issue of shares pursuant to<br>ESOS (Note 26)                       | 6,275                      | 9,881                       | —                                 | —                                | —                            | —                             | 16,156          |
| Transfer during the year  | —                          | —                           | —                                 | (6,929)                          | —                            | 6,929                         | —               |
| Reserve realised during the year                                    | —                          | —                           | (8,020)                           | —                                | —                            | 8,020                         | —               |
| Net profit for the year   | —                          | —                           | —                                 | —                                | —                            | 190,503                       | 190,503         |
| Dividends (Note 9)  |                            |                             |                                   |                                  |                              |                               |                 |
| – Final of the previous year  | —                          | —                           | —                                 | —                                | —                            | (25,168)                      | (25,168)        |
| – Interim of the current year                                       | —                          | —                           | —                                 | —                                | —                            | (42,487)                      | (42,487)        |
| At 31 December 2005   | 296,045                    | 388,907                     | 73,897                            | 71,928                           | 121,639                      | 750,304                       | 1,702,720       |
| <b>GROUP – 2004</b>   |                            |                             |                                   |                                  |                              |                               |                 |
| At 1 January 2004   | 272,873                    | 364,269                     | 80,554                            | 66,195                           | 151,359                      | 807,999                       | 1,743,249       |
| Exchange fluctuation  | —                          | —                           | —                                 | —                                | (14,797)                     | —                             | (14,797)        |
| Changes in group structure  | —                          | —                           | —                                 | —                                | —                            | 3,350                         | 3,350           |
| Writeback of deferred tax provision                                 | —                          | —                           | 2,018                             | —                                | —                            | —                             | 2,018           |
| Dilution in Associates  | —                          | —                           | —                                 | (2,880)                          | —                            | (3,833)                       | (6,713)         |
| Net gains/(losses) not recognised<br>in the income statement        | —                          | —                           | 2,018                             | (2,880)                          | (14,797)                     | (483)                         | (16,142)        |
| Issue of shares pursuant to<br>ESOS (Note 26)                       | 16,897                     | 14,953                      | —                                 | —                                | —                            | —                             | 31,850          |
| Share issue expenses  | —                          | (196)                       | —                                 | —                                | —                            | —                             | (196)           |
| Transfer during the year  | —                          | —                           | —                                 | 28,934                           | —                            | (28,934)                      | —               |
| Reserve realised during the year                                    | —                          | —                           | (655)                             | —                                | —                            | 655                           | —               |
| Net profit for the year   | —                          | —                           | —                                 | —                                | —                            | 119,160                       | 119,160         |
| Dividends (Note 9)  |                            |                             |                                   |                                  |                              |                               |                 |
| – Final of the previous year  | —                          | —                           | —                                 | —                                | —                            | (36,176)                      | (36,176)        |
| – Interim of the current year                                       | —                          | —                           | —                                 | —                                | —                            | (41,655)                      | (41,655)        |
| At 31 December 2004   | 289,770                    | 379,026                     | 81,917                            | 92,249                           | 136,562                      | 820,566                       | 1,800,090       |

# Statements of Changes in Equity

|   | Share<br>Capital<br>RM'000 | *Share<br>Premium<br>RM'000 | *Revaluation<br>Reserve<br>RM'000 | *Statutory<br>Reserves<br>RM'000 | *Other<br>Reserves<br>RM'000 | Retained<br>Profits<br>RM'000 | Total<br>RM'000 |
|---|----------------------------|-----------------------------|-----------------------------------|----------------------------------|------------------------------|-------------------------------|-----------------|
| <b>COMPANY – 2005</b>                         |                            |                             |                                   |                                  |                              |                               |                 |
| At 1 January 2005                             | 289,770                    | 379,026                     | —                                 | —                                | —                            | 270,864                       | 939,660         |
| Issue of shares pursuant to<br>ESOS (Note 26) | 6,275                      | 9,881                       | —                                 | —                                | —                            | —                             | 16,156          |
| Net profit for the year                       | —                          | —                           | —                                 | —                                | —                            | 18,218                        | 18,218          |
| Dividends (Note 9)                            |                            |                             |                                   |                                  |                              |                               |                 |
| – Final of the previous year                  | —                          | —                           | —                                 | —                                | —                            | (25,168)                      | (25,168)        |
| – Interim of the current year                 | —                          | —                           | —                                 | —                                | —                            | (42,487)                      | (42,487)        |
| At 31 December 2005                           | 296,045                    | 388,907                     | —                                 | —                                | —                            | 221,427                       | 906,379         |
| <b>COMPANY – 2004</b>                         |                            |                             |                                   |                                  |                              |                               |                 |
| At 1 January 2004                             | 272,873                    | 364,269                     | —                                 | —                                | —                            | 155,091                       | 792,233         |
| Issue of shares pursuant to<br>ESOS (Note 26) | 16,897                     | 14,953                      | —                                 | —                                | —                            | —                             | 31,850          |
| Share issue expenses                          | —                          | (196)                       | —                                 | —                                | —                            | —                             | (196)           |
| Net profit for the year                       | —                          | —                           | —                                 | —                                | —                            | 193,604                       | 193,604         |
| Dividends (Note 9)                            |                            |                             |                                   |                                  |                              |                               |                 |
| – Final of the previous year                  | —                          | —                           | —                                 | —                                | —                            | (36,176)                      | (36,176)        |
| – Interim of the current year                 | —                          | —                           | —                                 | —                                | —                            | (41,655)                      | (41,655)        |
| At 31 December 2004                           | 289,770                    | 379,026                     | —                                 | —                                | —                            | 270,864                       | 939,660         |

\* Denotes non-distributable reserves

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

**FOR THE YEAR ENDED 31 DECEMBER 2005**

|  | <b>Group</b>           |                        | <b>Company</b>         |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> |
| <b>Operating Activities</b>              |                        |                        |                        |                        |
| Cash receipts from customers             | <b>2,218,308</b>       | 1,417,542              | <b>61,299</b>          | 45,381                 |
| Cash paid to suppliers and employees     | <b>(1,838,189)</b>     | (1,142,441)            | <b>(51,614)</b>        | (49,056)               |
| Cash generated from/(used in) operations | <b>380,119</b>         | 275,101                | <b>9,685</b>           | (3,675)                |
| Income taxes (paid)/refunded             | <b>(62,926)</b>        | (44,880)               | <b>—</b>               | 14,471                 |
| Net cash from operating activities       | <b>317,193</b>         | 230,221                | <b>9,685</b>           | 10,796                 |
| <b>Investing activities</b>              |                        |                        |                        |                        |
| Acquisition of Subsidiaries (Note 14)    | <b>(379,390)</b>       | —                      | <b>(5)</b>             | —                      |
| Acquisition of Associates                | <b>(167,088)</b>       | —                      | <b>(167,088)</b>       | —                      |
| Additional investment in                 |                        |                        |                        |                        |
| Subsidiaries and Associates              | <b>(25,433)</b>        | (2,748)                | <b>(108,945)</b>       | (134,086)              |
| Investments purchased                    | <b>(733)</b>           | (6,001)                | <b>(733)</b>           | (1,597)                |
| Proceeds from disposal of investments    | <b>4,444</b>           | 3,883                  | <b>4,444</b>           | 3,885                  |
| Property, plant and equipment            |                        |                        |                        |                        |
| – purchases                              | <b>(170,722)</b>       | (139,526)              | <b>(1,466)</b>         | (54,738)               |
| – disposals                              | <b>797,678</b>         | 17,615                 | <b>52,632</b>          | 169                    |
| Development of investment property       | <b>(102,114)</b>       | (112,400)              | <b>—</b>               | —                      |
| Dividends received                       | <b>27,556</b>          | 25,648                 | <b>174,002</b>         | 96,637                 |
| Interest received                        | <b>4,187</b>           | —                      | <b>953</b>             | —                      |
| Net cash used in investing activities    | <b>(11,615)</b>        | (213,529)              | <b>(46,206)</b>        | (89,730)               |



# Cash Flow Statements

|  | Group            |                | Company          |                |
|--|------------------|----------------|------------------|----------------|
|  | 2005<br>RM'000   | 2004<br>RM'000 | 2005<br>RM'000   | 2004<br>RM'000 |
| <b>Financing activities</b>  |                  |                |                  |                |
| Issue of shares  |                  |                |                  |                |
| – by the Company   | <b>16,156</b>    | 31,654         | <b>16,156</b>    | 31,654         |
| – by Subsidiaries to minority interests                              | <b>59,239</b>    | 38,436         | —                | —              |
| Dividends paid   |                  |                |                  |                |
| – by the Company   | <b>(67,655)</b>  | (56,975)       | <b>(67,655)</b>  | (56,975)       |
| – by Subsidiaries to minority interests                              | <b>(31,300)</b>  | (18,629)       | —                | —              |
| Proceeds from long term loans  | <b>208,382</b>   | 864,400        | —                | 650,000        |
| Repayment of long term loans   | <b>(608,498)</b> | (226,772)      | <b>(220,000)</b> | (75,000)       |
| Increase/(decrease) of revolving credits<br>and bankers' acceptances | <b>336,052</b>   | (458,242)      | <b>235,662</b>   | (354,158)      |
| Receipts from group companies  | —                | —              | <b>753,420</b>   | 162,334        |
| Payments to group companies  | —                | —              | <b>(656,138)</b> | (195,845)      |
| Interest paid  | <b>(110,842)</b> | (98,336)       | <b>(61,416)</b>  | (54,076)       |
| Net cash (used in)/from financing activities                         | <b>(198,466)</b> | 75,536         | <b>29</b>        | 107,934        |
| Net increase/(decrease) in cash<br>and cash equivalents              | <b>107,112</b>   | 92,228         | <b>(36,492)</b>  | 29,000         |
| Foreign currency translation difference                              | <b>(74)</b>      | 189            | —                | —              |
| Cash and cash equivalents<br>at beginning of year                    | <b>165,992</b>   | 73,575         | <b>6,007</b>     | (22,993)       |
| <b>Cash and cash equivalents at end of year</b>                      | <b>273,030</b>   | 165,992        | <b>(30,485)</b>  | 6,007          |
| Cash and cash equivalents at end<br>of year comprise:                |                  |                |                  |                |
| Deposits, cash and bank balances                                     | <b>356,376</b>   | 214,775        | <b>6,602</b>     | 12,524         |
| Overdrafts   | <b>(83,346)</b>  | (48,783)       | <b>(37,087)</b>  | (6,517)        |
| <b>Cash and cash equivalents at end of year</b>                      | <b>273,030</b>   | 165,992        | <b>(30,485)</b>  | 6,007          |

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

**(a) BASIS OF PREPARATION**

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

**(b) BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the audited financial statements of the Company and its Subsidiaries made up to the end of the year. Subsidiaries are companies in which the Group owns, directly or indirectly, more than 50% of the equity share capital and has control over its financial and operating policies so as to obtain benefits from its activities. Details of Subsidiaries are given on pages 156 to 159.

The results of Subsidiaries acquired or disposed during the year are included from or to the effective dates of acquisition or disposal respectively, using the acquisition method of accounting. At the date of acquisition, the fair values of the Subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and these fair values is reflected as goodwill or reserve on consolidation and is systematically amortised on a straight line basis over a period of time not exceeding 20 years during which the benefits are expected to arise. The reserve on consolidation is recognised to the extent of the future losses and expenses that are identified in the acquirer's plan for the acquisition, and is recognised as income in the income statement when the future losses and expenses are recognised.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. The gain or loss on disposal of Subsidiaries is the difference between net disposal proceeds and the Group's share of the net assets together with any unamortised balance of goodwill/reserve on consolidation and other reserves which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquirees.

## **(c) ASSOCIATES**

An Associate is defined as a company, not being a Subsidiary, in which the Group has a long term equity interest (of not less than 20%) and in whose financial and operating policy decisions the Group exercises significant influence.

Investments in Associates are accounted for in the consolidated financial statements using the equity method of accounting. The Group's share of the operating results of Associates is incorporated in the consolidated income statement. For Associates whose balance sheet dates are not coterminous with that of the Company, the operating results for the intervening period are derived from unaudited financial statements. Details of Associates are given on page 159.

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. The Group's interest in Associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as the unamortised balance of goodwill or discount on acquisition, if any, in the consolidated balance sheet.

Goodwill or discount on acquisition of Associates are amortised over a period of not exceeding 20 years.

## **(d) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

Investments in Subsidiaries and Associates are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note (r).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statements.

## **(e) CURRENCY CONVERSION**

All transactions are recorded in Ringgit Malaysia. Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates or, where settlement had not taken place at balance sheet date, at the rate then ruling. All exchange differences are included in the income statements.

**(e) CURRENCY CONVERSION (CONT'D.)**

The operations of the foreign Subsidiaries are not an integral part of the operations of the Group. Income statements of the foreign Subsidiaries are translated into Ringgit Malaysia at average rates of exchange for the year and the balance sheets are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the restatement at year-end rates of the net investments and the Group's advances to foreign Subsidiaries which in substance, form part of the Group's investment in the foreign Subsidiaries are taken to the exchange fluctuation reserve in the shareholders' equity. On disposal of foreign Subsidiaries, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign Subsidiary are treated as assets and liabilities of the Group and translated at the exchange rate ruling at the date of the transaction.

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

| <b>Foreign currency</b> | <b>2005</b>   | <b>2004</b> |
|-------------------------|---------------|-------------|
| 1 US Dollar             | <b>RM3.78</b> | RM3.80      |
| 1 Euro                  | <b>RM4.49</b> | RM5.17      |
| 1 Sterling Pound        | <b>RM6.52</b> | RM7.32      |
| 1,000 Indonesian Rupiah | <b>RM0.38</b> | RM0.41      |
| 1 Singapore Dollar      | <b>RM2.30</b> | RM2.30      |

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

All property, plant and equipment are initially stated at cost. Certain land and buildings are subsequently shown at market value, based on external independent valuation, less subsequent depreciation. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Freehold land is not amortised. Leasehold land is amortised over the period of the lease which ranges from 29 to 999 years. Plantation development expenditure is not amortised other than those in respect of short term leases held in Indonesia which is amortised over the life of the lease. All other property, plant and equipment are depreciated on a straight line basis over the following estimated useful lives:



|                       |               |
|-----------------------|---------------|
| Buildings             | 20 – 50 years |
| Plant & machinery     | 5 – 10 years  |
| Furniture & equipment | 3 – 10 years  |
| Motor vehicles        | 5 years       |

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised as income or expense in the income statements. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

**(g) NEW PLANTING AND REPLANTING EXPENDITURE**

The expenditure on new planting and replanting of a different produce crop incurred up to the time of maturity is added to the cost of the land, initial costs of planting on the area replanted are charged to the income statement. Depreciation charges and external borrowing costs related to the development of new plantations are included as part of the capitalisation of immature planting costs. Replanting expenditure incurred in respect of the same crop is charged to the income statement in the year in which it is incurred.

**(h) INVESTMENT PROPERTIES**

Land and buildings including commercial and hotel properties classified as investment properties are stated at valuation and not depreciated. It is the policy of the Group to revalue its investment properties every five years or at such shorter period as may be considered appropriate, based upon the advice of Professional Valuers and Appraisers. Surpluses arising from such valuations are credited to shareholders' equity as revaluation reserve, and any deficit that offset previous surpluses are charged against the revaluation reserve. All other deficits are charged to the income statement. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense.

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the unutilised portion of the revaluation surplus is taken directly to retained earnings.

**(i) DEVELOPMENT PROPERTIES**

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

**(j) REVENUE RECOGNITION**

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

Dividends from Subsidiaries, Associates and other investee companies are recognised in the income statements when the right to receive payment is established.

Interest income is recognised as it accrues unless collection is doubtful. Sales and other revenue earned from intra-group companies are eliminated on consolidation, and the revenue of Associates is excluded from Group revenue.

**(k) INCOME TAX**

Income tax on the profit or loss for the year comprises current and deferred tax, and is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

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

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

#### **(l) EMPLOYEE BENEFITS**

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

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

#### **(m) JOINT VENTURE PLANTATION**

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

**(n) CASH AND CASH EQUIVALENTS**

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

**(o) RESEARCH AND DEVELOPMENT**

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

**(p) FINANCIAL INSTRUMENTS**

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

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

**(i) Other non current investments**

Non current investments other than investments in Subsidiaries, Associates and investment properties are stated at cost and allowance is made where, in the opinion of the Directors, there is a permanent diminution in value. Permanent diminution in the value of investment is recognised as an expense in the financial year in which the diminution is identified.

On disposal, the difference between the net disposal proceeds and its carrying value is charged or credited to the income statements.



**(ii) Trade receivables**

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

**(iii) Inventories**

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

**(iv) Property development in progress**

Property development in progress comprises cost of land currently being developed together with related development costs common to the whole project and direct building costs, and less anticipated losses, if any. Development revenue and expenses are recognised in the income statement when the financial outcome of the development activity can be reliably estimated. Where the outcome cannot be reliably estimated, revenue is recognised to the extent that costs are recoverable, and costs on properties sold are expensed in the period incurred.

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

**(v) Payables and provisions**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed or unbilled.

Provisions are recognised when the Group and the Company have present obligations as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amounts of the obligations.

**(p) FINANCIAL INSTRUMENTS (CONT'D.)**

**(vi) Borrowings**

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received.

Costs incurred on external borrowings to finance long term qualifying assets are capitalised until the assets are ready for their intended use, after which such expenses are charged to the income statement. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

**(vii) Redeemable convertible bonds**

Redeemable convertible bonds are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the redeemable convertible bonds and the fair value assigned to the liability component representing the conversion option is included in shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

**(viii) Equity instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period that they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributed to equity transactions which would otherwise have been avoided.

The Boustead Holdings Berhad Employees' Share Option Scheme (ESOS) allows the Group's eligible employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

**(q) SEGMENTAL REPORTING**

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

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

**(r) IMPAIRMENT OF ASSETS**

The carrying amounts of the assets of the Group and the Company are reviewed at each balance sheet date to determine whether there is any indication of impairment. Where there is an indication of impairment, the carrying value of such assets are written down immediately to the respective recoverable amounts. The impairment loss is recognised in the income statements immediately, except for impairment on a revalued asset where the impairment loss is charged against the revaluation reserve to the extent of the surplus credited from the previous revaluation of the same asset.

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

**(s) LEASES**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

## **1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

### **Interest rate risk**

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

### **Liquidity and cash flow risk**

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

### **Credit risk**

The Group seeks to invest cash assets safely and profitably. The Group also seeks to control credit risk by setting counterparty limits, obtaining bank guarantees where appropriate; and ensuring that sale of products and services are made to customers with an appropriate credit history, and monitoring customers' financial standing through periodic credit review 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.

### **Fair values**

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

The fair values of the non current quoted investments are represented by their market values as disclosed in Note 16 to the financial statements.



# Notes to the Financial Statements

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

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

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

## 2. REVENUE

|                                | Group            |                | Company        |                |
|--------------------------------|------------------|----------------|----------------|----------------|
|                                | 2005<br>RM'000   | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Sale of produce                | <b>437,060</b>   | 458,122        | <b>60,103</b>  | 47,732         |
| Sale of goods                  | <b>1,092,046</b> | 411,806        | —              | —              |
| Sale of development properties | <b>245,082</b>   | 294,390        | —              | —              |
| Revenue from agency business   | <b>42,449</b>    | 38,490         | —              | —              |
| Rental income – Subsidiaries   | —                | —              | <b>873</b>     | 663            |
| – Associates                   | <b>15,303</b>    | 14,487         | —              | —              |
| – others                       | <b>23,779</b>    | 3,836          | <b>241</b>     | 244            |
| Others                         | <b>68,451</b>    | 46,612         | —              | —              |
|                                | <b>1,924,170</b> | 1,267,743      | <b>61,217</b>  | 48,639         |

### 3. OPERATING COST

|   | Group            |                | Company        |                |
|---|------------------|----------------|----------------|----------------|
|   | 2005<br>RM'000   | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Changes in inventories of finished goods and work in progress | <b>6,973</b>     | (13,719)       | <b>1,158</b>   | (1,611)        |
| Finished goods and work in progress purchases                 | <b>1,124,786</b> | 540,625        | —              | —              |
| Raw material and consumables used                             | <b>242,269</b>   | 222,287        | <b>50,196</b>  | 42,365         |
| Staff costs   | <b>149,492</b>   | 132,435        | <b>6,661</b>   | 6,270          |
| Defined contribution plans                                    | <b>22,424</b>    | 19,136         | <b>999</b>     | 936            |
| Depreciation (Note 10)  | <b>54,186</b>    | 40,220         | <b>3,291</b>   | 2,891          |
| Profit on disposal of property, plant and equipment           | <b>(175,869)</b> | (12,118)       | <b>(3,058)</b> | (169)          |
| Impairment loss – property, plant & equipment (Note 10)       | <b>85,529</b>    | —              | —              | —              |
| Other operating cost  | <b>149,650</b>   | 90,726         | <b>8,054</b>   | 9,862          |
|   | <b>1,659,440</b> | 1,019,592      | <b>67,301</b>  | 60,544         |
| Other operating cost include:                                 |                  |                |                |                |
| Rent paid   | <b>12,258</b>    | 4,322          | <b>1,195</b>   | 780            |
| Auditors' remuneration – current year                         | <b>1,109</b>     | 1,019          | <b>75</b>      | 68             |
| – prior year  | <b>36</b>        | 45             | —              | 4              |
| – non audit fees  | <b>100</b>       | 95             | <b>20</b>      | 95             |
| Directors' fees – current year                                | <b>300</b>       | 300            | <b>135</b>     | 135            |
| – prior year  | —                | 70             | —              | 50             |
| Directors' remuneration – emoluments                          | <b>1,250</b>     | 1,065          | <b>60</b>      | 60             |
| – benefits  | <b>76</b>        | 160            | <b>44</b>      | 14             |
| Hire of equipment   | <b>279</b>       | 271            | —              | —              |
| Bad and doubtful debts – Subsidiaries                         | —                | —              | <b>116</b>     | 7,183          |
| – others  | <b>13,932</b>    | 5,283          | <b>5,103</b>   | 11             |
| Research and development                                      | <b>5,812</b>     | 3,109          | —              | —              |

The number of persons employed by the Group and the Company, including the executive Director, at the end of the year were 12,064 (2004: 11,451) and 111 (2004: 102) respectively.

The remuneration paid to Directors during the year analysed into bands of RM50,000 are as follows:

|                                 | Number of Directors |           |
|---------------------------------|---------------------|-----------|
|                                 | Non-executive       | Executive |
| Up to RM50,000                  | 2                   |           |
| From RM50,001 to RM100,000      | 2                   |           |
| From RM200,001 to RM250,000     | 1                   |           |
| From RM1,200,001 to RM1,250,000 |                     | 1         |

#### 4. INTEREST INCOME

|                                | Group          |                | Company        |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2005<br>RM'000 | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Interest income – Subsidiaries | —              | —              | <b>9,788</b>   | 4,297          |
| – Associates                   | <b>1,147</b>   | 987            | <b>136</b>     | 136            |
| – others                       | <b>3,040</b>   | 1,439          | <b>581</b>     | 12             |
|                                | <b>4,187</b>   | 2,426          | <b>10,505</b>  | 4,445          |

## 5. OTHER INVESTMENT INCOME/(LOSS)

|   | Group           |                | Company          |                |
|---|-----------------|----------------|------------------|----------------|
|   | 2005<br>RM'000  | 2004<br>RM'000 | 2005<br>RM'000   | 2004<br>RM'000 |
| Gross dividends from quoted shares in Malaysia:           |                 |                |                  |                |
| – Subsidiaries  | —               | —              | <b>38,612</b>    | 20,593         |
| – Associates  | —               | —              | <b>16,446</b>    | 11,333         |
| – others  | <b>435</b>      | 1,831          | <b>435</b>       | 1,802          |
| Gross dividends from unquoted shares in Malaysia:         |                 |                |                  |                |
| – Subsidiaries  | —               | —              | <b>164,554</b>   | 421,968        |
| – Associates  | —               | —              | <b>17,503</b>    | 15,627         |
| – others  | <b>479</b>      | 838            | —                | 838            |
| Profit on sale of investments                             | <b>622</b>      | 1,234          | <b>617</b>       | 1,151          |
| Gain on disposal of Associate                             | —               | 1,364          | —                | —              |
| Loss on disposal of Subsidiary                            | —               | —              | —                | (2,691)        |
| Surplus on members' voluntary liquidation of Subsidiaries | —               | —              | —                | 6,080          |
| Amortisation of goodwill on consolidation                 | <b>(11,073)</b> | (3,709)        | —                | —              |
| Amortisation of reserve on consolidation                  | <b>53,834</b>   | 61,781         | —                | —              |
| Impairment loss   |                 |                |                  |                |
| – Associates and Subsidiaries                             | <b>(14,482)</b> | (113)          | <b>(114,482)</b> | (1,590)        |
| – other investments                                       | —               | (100,000)      | —                | (100,000)      |
| Reversal of impairment loss                               |                 |                |                  |                |
| – other investments                                       | <b>200</b>      | —              | <b>200</b>       | —              |
| – Subsidiaries  | —               | —              | —                | 5,000          |
|   | <b>30,015</b>   | (36,774)       | <b>123,885</b>   | 380,111        |



## 6. FINANCE COST

|                                 | Group          |                | Company        |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2005<br>RM'000 | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Interest expense – Subsidiaries | —              | —              | 5,337          | 14,940         |
| – others                        | 109,669        | 88,509         | 62,548         | 46,807         |
|                                 | <b>109,669</b> | 88,509         | <b>67,885</b>  | 61,747         |

## 7. TAXATION

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2005<br>RM'000 | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Tax expense for the year:  |                |                |                |                |
| Malaysian income tax   | 42,174         | 36,932         | 49,017         | 113,314        |
| Deferred tax relating to origination and reversal of temporary differences | 947            | 7,090          | (5,381)        | 4,011          |
| Share of Associates' tax   | 30,314         | 32,088         | —              | —              |
|  | <b>73,435</b>  | 76,110         | <b>43,636</b>  | 117,325        |
| Under/(over) provision in prior years:                                     |                |                |                |                |
| Current  | 780            | (3,330)        | —              | —              |
| Deferred   | (3,155)        | 1,889          | (1,433)        | (25)           |
| Associates   | (1,431)        | (3,875)        | —              | —              |
|  | <b>69,629</b>  | 70,794         | <b>42,203</b>  | 117,300        |

Domestic income tax is calculated at the Malaysian statutory rate of 28% (2004: 28%) of the estimated assessable profit for the year.

## 7. TAXATION (CONT'D.)

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

|   | Group           |                | Company        |                |
|---|-----------------|----------------|----------------|----------------|
|   | 2005<br>RM'000  | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Profit before taxation  | <b>300,076</b>  | 246,754        | <b>60,421</b>  | 310,904        |
| Taxation at Malaysian statutory rate<br>of 28% (2004: 28%)                                | <b>84,021</b>   | 69,091         | <b>16,918</b>  | 87,053         |
| Income not subject to tax   | <b>(72,818)</b> | (26,041)       | <b>(2,351)</b> | (2,728)        |
| Expenses not deductible<br>for tax purposes   | <b>62,128</b>   | 43,602         | <b>33,374</b>  | 29,533         |
| Tax incentives  | <b>(4,314)</b>  | (5,128)        | —              | —              |
| Deferred tax assets not<br>recognised during the year                                     | <b>15,922</b>   | 28,585         | —              | —              |
| Utilisation of previously unrecognised<br>tax losses and unabsorbed<br>capital allowances | <b>(455)</b>    | (21,174)       | —              | (255)          |
| Deferred tax liability reversed on<br>disposal of assets                                  | <b>(15,538)</b> | —              | <b>(4,942)</b> | —              |
| Utilisation of previously unrecognised<br>tax losses by an Associate                      | <b>(827)</b>    | (10,677)       | —              | —              |
| Others  | <b>5,316</b>    | (2,148)        | <b>637</b>     | 3,722          |
|   | <b>73,435</b>   | 76,110         | <b>43,636</b>  | 117,325        |
| Over provision in prior years   | <b>(3,806)</b>  | (5,316)        | <b>(1,433)</b> | (25)           |
| Tax expense for the year  | <b>69,629</b>   | 70,794         | <b>42,203</b>  | 117,300        |

## 8. EARNINGS PER SHARE

### Basic earnings per share

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

|  | Group          |         |
|--|----------------|---------|
|  | 2005           | 2004    |
| Net profit for the year (RM'000)                           | <b>190,503</b> | 119,160 |
| Weighted average number of ordinary shares in issue ('000) | <b>586,408</b> | 569,216 |
| Basic earnings per share (sen)                             | <b>32.49</b>   | 20.93   |

### Diluted earnings per share

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

|  | Group          |         |
|--|----------------|---------|
|  | 2005           | 2004    |
| <b>RM'000</b>  |                |         |
| Net profit for the year  | <b>190,503</b> | 119,160 |
| After-tax effects of interest on bank guaranteed redeemable convertible bonds                          | <b>6,300</b>   | 1,744   |
| After-tax effects of potential dilution upon conversion of a Subsidiary's redeemable convertible bonds | <b>(1,607)</b> | —       |
| Adjusted net profit for the year   | <b>195,196</b> | 120,904 |
| <b>'000</b>  |                |         |
| Weighted average number of ordinary shares in issue  | <b>586,408</b> | 569,216 |
| Effects of dilution:   |                |         |
| Share options  | <b>2,367</b>   | 7,968   |
| Bank guaranteed redeemable convertible bonds   | <b>51,282</b>  | 18,967  |
| Adjusted weighted average number of ordinary shares in issue and issuable                              | <b>640,057</b> | 596,151 |
| Diluted earnings per share (sen)   | <b>30.50</b>   | 20.28   |

## 9. DIVIDENDS

|  | Dividend amount |                | Gross Dividend per ordinary share |             |
|--|-----------------|----------------|-----------------------------------|-------------|
|  | 2005<br>RM'000  | 2004<br>RM'000 | 2005<br>Sen                       | 2004<br>Sen |
| Interim:   |                 |                |                                   |             |
| First interim of 10% (2004: 10%) less tax paid on 18 November 2005 | <b>21,203</b>   | 20,799         | <b>5.00</b>                       | 5.00        |
| Second interim of 10% (2004: 10%) less tax paid on 11 January 2006 | <b>21,284</b>   | 20,856         | <b>5.00</b>                       | 5.00        |
|  | <b>42,487</b>   | 41,655         | <b>10.00</b>                      | 10.00       |
| Proposed final:  |                 |                |                                   |             |
| 12% (2004: 12%) less tax payable on 25 May 2006                    | <b>25,578</b>   | 25,168         | <b>6.00</b>                       | 6.00        |
|  | <b>68,065</b>   | 66,823         | <b>16.00</b>                      | 16.00       |

The Directors will propose at the forthcoming Annual General Meeting to be held on 30 March 2006, a final dividend of 12% per share less tax, amounting to RM25,578,000. These financial statements do not reflect the final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profit in the year ending 31 December 2006 when approved by shareholders.



## 10. PROPERTY, PLANT AND EQUIPMENT

|   | Freehold<br>Property<br>RM'000 | Long<br>Leasehold<br>Property<br>RM'000 | Short<br>Leasehold<br>Property<br>RM'000 | Plant and<br>Equipment<br>RM'000 | Total<br>RM'000  |
|---|--------------------------------|---|--|----------------------------------|------------------|
| <b>GROUP</b>                                  |                                |   |  |                                  |                  |
| <b>At cost or valuation</b>                   |                                |   |  |                                  |                  |
| At beginning of year                          | 415,738                        | 954,567                                 | 225,978                                  | 374,624                          | 1,970,907        |
| Assets of Subsidiaries<br>acquired            | 157,603                        | 25,447                                  | 95,009                                   | 184,569                          | 462,628          |
| Additions                                     | 8,612                          | 12,229                                  | 9,100                                    | 149,342                          | 179,283          |
| Disposals                                     | (141,170)                      | (502,857)                               | (16,983)                                 | (105,109)                        | (766,119)        |
| Reclassification                              | 78,512                         | (622)                                   | 454                                      | (78,344)                         | —                |
| Exchange adjustment                           | —                              | —                                       | (12,859)                                 | (261)                            | (13,120)         |
| At end of year                                | 519,295                        | 488,764                                 | 300,699                                  | 524,821                          | 1,833,579        |
| <b>Accumulated depreciation</b>               |                                |   |  |                                  |                  |
| At beginning of year                          | 15,632                         | 64,869                                  | 24,671                                   | 197,079                          | 302,251          |
| Charge for the year                           | 2,350                          | 5,529                                   | 14,749                                   | 31,558                           | 54,186           |
| Disposals                                     | (4,693)                        | (52,806)                                | (7,124)                                  | (79,687)                         | (144,310)        |
| Reclassification                              | (1,627)                        | —                                       | 1,627                                    | —                                | —                |
| Exchange adjustment                           | —                              | —                                       | (817)                                    | (368)                            | (1,185)          |
| Impairment loss                               | —                              | —                                       | 83,000                                   | 2,529                            | 85,529           |
| At end of year                                | 11,662                         | 17,592                                  | 116,106                                  | 151,111                          | 296,471          |
| <b>Net book value at<br/>31 December 2005</b> | <b>507,633</b>                 | <b>471,172</b>                          | <b>184,593</b>                           | <b>373,710</b>                   | <b>1,537,108</b> |
| Net book value at<br>31 December 2004         | 400,106                        | 889,698                                 | 201,307                                  | 177,545                          | 1,668,656        |
| Depreciation for 2004                         | 1,134                          | 6,454                                   | 9,595                                    | 23,037                           | 40,220           |

### 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

|   | Freehold<br>Property<br>RM'000 | Long<br>Leasehold<br>Property<br>RM'000 | Short<br>Leasehold<br>Property<br>RM'000 | Plant and<br>Equipment<br>RM'000 | Total<br>RM'000 |
|---|--------------------------------|---|--|----------------------------------|-----------------|
| <b>COMPANY</b>                                |                                |   |  |                                  |                 |
| <b>At cost</b>                                |                                |   |  |                                  |                 |
| At beginning of year                          | 44,024                         | 4,394                                   | 6,676                                    | 21,209                           | 76,303          |
| Additions                                     | 55                             | —                                       | —  | 1,411                            | 1,466           |
| Transfer from Group<br>company                | —                              | —                                       | —  | 124                              | 124             |
| Disposals                                     | (39,244)                       | —                                       | —  | (13,912)                         | (53,156)        |
| At end of year                                | 4,835                          | 4,394                                   | 6,676                                    | 8,832                            | 24,737          |
| <b>Accumulated depreciation</b>               |                                |   |  |                                  |                 |
| At beginning of year                          | 2,995                          | 1,144                                   | 2,216                                    | 5,521                            | 11,876          |
| Charge for the year                           | 578                            | 62                                      | 144                                      | 2,507                            | 3,291           |
| Transfer from Group<br>company                | —                              | —                                       | —  | 47                               | 47              |
| Disposals                                     | (727)                          | —                                       | —  | (2,854)                          | (3,581)         |
| Reclassification                              | (1,535)                        | —                                       | —  | 1,535                            | —               |
| At end of year                                | 1,311                          | 1,206                                   | 2,360                                    | 6,756                            | 11,633          |
| <b>Net book value at<br/>31 December 2005</b> | <b>3,524</b>                   | <b>3,188</b>                            | <b>4,316</b>                             | <b>2,076</b>                     | <b>13,104</b>   |
| Net book value at<br>31 December 2004         | 41,029                         | 3,250                                   | 4,460                                    | 15,688                           | 64,427          |
| Depreciation for 2004                         | 1,991                          | 50                                      | 147                                      | 703                              | 2,891           |

|   | <b>Group</b>           |                        | <b>Company</b>         |                        |
|---|------------------------|------------------------|------------------------|------------------------|
|   | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> |
| Analysis of Net Book Value of Properties: |                        |                        |                        |                        |
| Freehold property                         |                        |                        |                        |                        |
| – land                                    | <b>380,784</b>         | 368,469                | <b>823</b>             | 32,749                 |
| – building                                | <b>126,849</b>         | 31,637                 | <b>2,701</b>           | 8,280                  |
|   | <b>507,633</b>         | 400,106                | <b>3,524</b>           | 41,029                 |
| Long leasehold property                   |                        |                        |                        |                        |
| – land                                    | <b>418,785</b>         | 812,894                | <b>1,625</b>           | 1,637                  |
| – building                                | <b>52,387</b>          | 76,804                 | <b>1,563</b>           | 1,613                  |
|   | <b>471,172</b>         | 889,698                | <b>3,188</b>           | 3,250                  |
| Short leasehold property                  |                        |                        |                        |                        |
| – land                                    | <b>87,931</b>          | 177,080                | <b>327</b>             | 340                    |
| – building                                | <b>96,662</b>          | 24,227                 | <b>3,989</b>           | 4,120                  |
|   | <b>184,593</b>         | 201,307                | <b>4,316</b>           | 4,460                  |
|   | <b>1,163,398</b>       | 1,491,111              | <b>11,028</b>          | 48,739                 |

### 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

|                                | Group            |                | Company        |                |
|--------------------------------|------------------|----------------|----------------|----------------|
|                                | 2005<br>RM'000   | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Analysis of Cost or Valuation: |                  |                |                |                |
| Cost                           | <b>1,710,325</b> | 1,711,655      | <b>24,737</b>  | 76,303         |
| Valuation – 1992               | <b>123,254</b>   | 200,515        | —              | —              |
| – 1993                         | —                | 58,737         | —              | —              |
|                                | <b>1,833,579</b> | 1,970,907      | <b>24,737</b>  | 76,303         |

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

|                          | Group          |                |
|--------------------------|----------------|----------------|
|                          | 2005<br>RM'000 | 2004<br>RM'000 |
| Freehold property        | <b>44,735</b>  | 50,232         |
| Long leasehold property  | <b>5,403</b>   | 110,379        |
| Short leasehold property | <b>462</b>     | 474            |
|                          | <b>50,600</b>  | 161,085        |



Additions to the Group's leasehold properties during the year include the capitalisation of the following:

|                            | <b>Group</b>                 |                              |
|----------------------------|------------------------------|------------------------------|
|                            | <b>2005</b><br><b>RM'000</b> | <b>2004</b><br><b>RM'000</b> |
| Borrowing costs – interest | <b>347</b>                   | 1,771                        |
| – exchange difference      | <b>—</b>                     | 4,285                        |
|                            | <b>347</b>                   | 6,056                        |

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

Pursuant to the sale and leaseback of plantation assets referred to in Note 32 to the financial statements, the Group and the Company will enjoy the continued use of these assets spanning over an area of 36,260 hectares and 1,411 hectares of plantation land respectively.

#### **11. INVESTMENT PROPERTIES**

|                              | <b>Group</b>                 |                              |
|------------------------------|------------------------------|------------------------------|
|                              | <b>2005</b><br><b>RM'000</b> | <b>2004</b><br><b>RM'000</b> |
| Freehold land and buildings: |                              |                              |
| At cost                      | <b>435,681</b>               | 348,022                      |
| At 2001 valuation            | <b>257,000</b>               | 257,000                      |
|                              | <b>692,681</b>               | 605,022                      |

The properties stated at valuation are based on independent professional valuations carried out on an open market basis.

## 12. DEVELOPMENT PROPERTIES

|   | Group          |                |
|---|----------------|----------------|
|   | 2005<br>RM'000 | 2004<br>RM'000 |
| At beginning of year:   |                |                |
| Freehold land, at cost  | <b>72,109</b>  | 105,982        |
| Long leasehold land, at cost                                  | <b>24,923</b>  | 27,232         |
| Development cost  | <b>176,392</b> | 196,312        |
|   | <b>273,424</b> | 329,526        |
| Development cost incurred during the year                     | <b>60,291</b>  | 25,981         |
| Transfer from/(to) property development in progress (Note 19) |                |                |
| Freehold land   | <b>6,394</b>   | (33,871)       |
| Long leasehold land   | <b>1,394</b>   | (2,309)        |
| Development cost  | <b>(4,425)</b> | (45,903)       |
|   | <b>3,363</b>   | (82,083)       |
| At end of year  | <b>337,078</b> | 273,424        |

Development properties comprise land banks which are in the process of being prepared for development but are not expected to be launched for sale in the next twelve months. Development cost includes interest capitalised during the year of RM6,515,000 (2004: RM9,180,000).

### 13. LONG TERM PREPAYMENTS

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

### 14. SUBSIDIARIES

|   | <b>Company</b> |               |
|---|----------------|---------------|
|   | <b>2005</b>    | <b>2004</b>   |
|   | <b>RM'000</b>  | <b>RM'000</b> |
| Shares quoted in Malaysia, at cost                | <b>265,475</b> | 265,475       |
| Unquoted shares, at cost less amounts written off | <b>610,153</b> | 526,636       |
|   | <b>875,628</b> | 792,111       |
| Market value of quoted shares                     | <b>434,742</b> | 529,127       |

#### 14. SUBSIDIARIES (CONT'D)

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

|                                    | Group          |                |
|------------------------------------|----------------|----------------|
|                                    | 2005<br>RM'000 | 2004<br>RM'000 |
| Net assets acquired:               |                |                |
| Property, plant and equipment      | (462,628)      | —              |
| Long term prepayment               | (126,923)      | —              |
| Current assets                     | (339,720)      | —              |
| Current liabilities                | 520,026        | —              |
| Deferred tax                       | 13,005         | —              |
| Goodwill on acquisition            | (106,485)      | —              |
| Minority interest                  | 85,351         | —              |
| Total purchase consideration       | (417,374)      | —              |
| Dividends received                 | 30,074         | —              |
| Cash and cash equivalents acquired | 7,910          | —              |
| Cash outflow on acquisition        | (379,390)      | —              |



Summarised below are the effects of acquisitions on the Group's income statement and balance sheet:

|  | <b>Group</b>     |               |
|--|------------------|---------------|
|  | <b>2005</b>      | <b>2004</b>   |
|  | <b>RM'000</b>    | <b>RM'000</b> |
| Effects on Group's income statement for the year:  |                  |               |
| Revenue  | <b>649,734</b>   | —             |
| Profit before tax                                  | <b>29,887</b>    | —             |
| Net profit   | <b>7,654</b>     | —             |
| Effects on Group's financial position at year end: |                  |               |
| Property, plant & equipment                        | <b>468,472</b>   | —             |
| Long term prepayments                              | <b>125,657</b>   | —             |
| Goodwill on consolidation                          | <b>103,875</b>   | —             |
| Inventories  | <b>77,898</b>    | —             |
| Trade and other receivables                        | <b>43,929</b>    | —             |
| Cash and bank balances                             | <b>189,137</b>   | —             |
| Trade and other payables                           | <b>(370,177)</b> | —             |
| Borrowings   | <b>(145,000)</b> | —             |
| Deferred tax liabilities                           | <b>(13,323)</b>  | —             |
| Minority interests                                 | <b>(88,628)</b>  | —             |
| Group's share of net assets                        | <b>391,840</b>   | —             |

## 15. ASSOCIATES

|   | Group            |                | Company        |                |
|---|------------------|----------------|----------------|----------------|
|   | 2005<br>RM'000   | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| At cost less amounts written off:                                   |                  |                |                |                |
| Shares quoted in Malaysia   | <b>660,014</b>   | 595,190        | <b>660,014</b> | 595,190        |
| Warrants quoted in Malaysia   | <b>37,345</b>    | 51,827         | <b>37,345</b>  | 51,827         |
| Unquoted shares   | <b>288,512</b>   | 121,425        | <b>277,789</b> | 110,701        |
|   | <b>985,871</b>   | 768,442        | <b>975,148</b> | 757,718        |
| Share of post acquisition reserves less<br>amortisation of goodwill | <b>193,240</b>   | 231,181        | —              | —              |
|   | <b>1,179,111</b> | 999,623        | <b>975,148</b> | 757,718        |
| Market value:   |                  |                |                |                |
| Quoted shares   | <b>573,539</b>   | 594,210        | <b>573,539</b> | 594,210        |
| Quoted warrants   | <b>16,927</b>    | 40,610         | <b>16,927</b>  | 40,610         |
|   | <b>590,466</b>   | 634,820        | <b>590,466</b> | 634,820        |
| Share of net tangible assets  | <b>745,703</b>   | 725,013        |                |                |
| Share of intangible assets  | <b>231,302</b>   | 236,444        |                |                |
| Goodwill on acquisition   | <b>977,005</b>   | 961,457        |                |                |
| Goodwill amortised  | <b>269,050</b>   | 101,962        |                |                |
|   | <b>(66,944)</b>  | (63,796)       |                |                |
|   | <b>1,179,111</b> | 999,623        |                |                |

## 16. INVESTMENTS

|   | <b>Group</b>           |                        | <b>Company</b>         |                        |
|---|------------------------|------------------------|------------------------|------------------------|
|   | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> |
| Shares quoted in Malaysia, at cost                  | <b>7,557</b>           | 281,828                | <b>7,557</b>           | 250,219                |
| Unquoted shares, at cost less<br>amount written off | <b>4,631</b>           | 4,631                  | <b>4,512</b>           | 4,512                  |
| Unquoted bonds, at cost                             | <b>8,500</b>           | 8,500                  | —                      | —                      |
|   | <b>20,688</b>          | 294,959                | <b>12,069</b>          | 254,731                |
| Less: allowance for diminution in value             | <b>(1,000)</b>         | (101,200)              | <b>(1,000)</b>         | (101,200)              |
|   | <b>19,688</b>          | 193,759                | <b>11,069</b>          | 153,531                |
| Market value of quoted shares                       | <b>9,153</b>           | 41,608                 | <b>9,153</b>           | 41,608                 |

## 17. GOODWILL ON CONSOLIDATION

|   | <b>Group</b>           |                        |
|---|------------------------|------------------------|
|   | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> |
| At beginning of year                    | <b>4,571</b>           | 4,226                  |
| Arising from:                           |                        |                        |
| – additional investment in Subsidiaries | <b>4,818</b>           | 907                    |
| – acquisition of Subsidiaries (Note 14) | <b>106,485</b>         | —                      |
| Amortisation for the year               | <b>(7,925)</b>         | (562)                  |
| At end of year                          | <b>107,949</b>         | 4,571                  |

## 18. INVENTORIES

|                                    | <b>Group</b>           |                        | <b>Company</b>         |                        |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                    | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> |
| At cost:                           |                        |                        |                        |                        |
| Raw materials and work in progress | <b>5,143</b>           | 3,612                  | —                      | —                      |
| Goods for resale                   | <b>132,966</b>         | 48,446                 | —                      | —                      |
| Estate produce                     | <b>10,596</b>          | 9,256                  | <b>453</b>             | 1,611                  |
| Completed properties               | <b>7,719</b>           | 10,711                 | —                      | —                      |
| Consumable stores                  | <b>13,776</b>          | 12,935                 | <b>250</b>             | 168                    |
|                                    | <b>170,200</b>         | 84,960                 | <b>703</b>             | 1,779                  |
| At net realisable value:           |                        |                        |                        |                        |
| Goods for resale                   | <b>491</b>             | 5,154                  | —                      | —                      |
|                                    | <b>170,691</b>         | 90,114                 | <b>703</b>             | 1,779                  |



## 19. PROPERTY DEVELOPMENT IN PROGRESS

|   | Group              |                |
|---|--------------------|----------------|
|   | 2005<br>RM'000     | 2004<br>RM'000 |
| At beginning of year:                               |                    |                |
| Freehold land, at cost                              | <b>187,462</b>     | 153,590        |
| Long leasehold land, at cost                        | <b>79,641</b>      | 14,876         |
| Development cost                                    | <b>711,231</b>     | 612,044        |
|   | <b>978,334</b>     | 780,510        |
| Development cost incurred during the year           | <b>132,301</b>     | 121,040        |
| Cost recognised in income statement:                |                    |                |
| At beginning of year                                | <b>(860,426)</b>   | (689,731)      |
| Recognised during the year                          | <b>(160,957)</b>   | (170,695)      |
|   | <b>(1,021,383)</b> | (860,426)      |
| Transfer (to)/from development properties (Note 12) |                    |                |
| Freehold land                                       | <b>(6,394)</b>     | 33,871         |
| Long leasehold land                                 | <b>(1,394)</b>     | 2,309          |
| Development cost                                    | <b>4,425</b>       | 45,903         |
|   | <b>(3,363)</b>     | 82,083         |
| Transfer to inventories                             | <b>(3,512)</b>     | (5,299)        |
|   | <b>(6,875)</b>     | 76,784         |
| At end of year                                      | <b>82,377</b>      | 117,908        |
| Interest cost capitalised during the year           | <b>4,133</b>       | 4,508          |

## 20. RECEIVABLES

|                                     | Group           |                | Company        |                |
|-------------------------------------|-----------------|----------------|----------------|----------------|
|                                     | 2005<br>RM'000  | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Trade receivables                   | <b>370,410</b>  | 304,023        | <b>1,164</b>   | 2,360          |
| Less: provision for doubtful debts  | <b>(60,735)</b> | (49,380)       | —              | —              |
|                                     | <b>309,675</b>  | 254,643        | <b>1,164</b>   | 2,360          |
| Dividends receivable                | —               | 225            | <b>7,722</b>   | 9,357          |
| Deposits                            | <b>41,886</b>   | 4,273          | <b>3,724</b>   | 32             |
| Prepayments                         | <b>16,329</b>   | 4,848          | <b>236</b>     | 783            |
| Income tax receivable               | <b>80,006</b>   | 62,430         | <b>76,115</b>  | 59,947         |
| Other receivables                   | <b>89,205</b>   | 79,122         | <b>9,620</b>   | 20,192         |
| Amounts due from Subsidiaries       | —               | —              | <b>457,914</b> | 118,796        |
| Amounts due from Associates         | <b>19,133</b>   | 16,848         | <b>3,949</b>   | 2,170          |
| Amounts due from related companies  | <b>1,075</b>    | 1,168          | <b>15</b>      | 70             |
| Amount due from holding corporation | <b>3</b>        | —              | —              | —              |
|                                     | <b>557,312</b>  | 423,557        | <b>560,459</b> | 213,707        |

The Group's normal trade credit terms range from payment in advance to 90 days. Other credit terms are assessed and approved on a case by case basis. Amounts due from Subsidiaries and Associates are unsecured, bear interest at a weighted average rate of 6.3% (2004: 6.0%) per annum and have no fixed terms of repayment. Amounts due from related companies are trade balances which are unsecured and interest free, with repayment in accordance with normal trading terms.

## 21. DEPOSITS, CASH AND BANK BALANCES

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2005<br>RM'000 | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Deposits with financial institutions            | <b>172,709</b> | 59,310         | —              | —              |
| Cash held under Housing<br>Development Accounts | <b>29,726</b>  | 58,833         | —              | —              |
| Cash and bank balances                          | <b>153,941</b> | 96,632         | <b>6,602</b>   | 12,524         |
|   | <b>356,376</b> | 214,775        | <b>6,602</b>   | 12,524         |

The deposits are on call, and carry a weighted average interest rate of 2.7% (2004: 2.7%) per annum.

## 22. BORROWINGS

|                            | Group            |                | Company        |                |
|----------------------------|------------------|----------------|----------------|----------------|
|                            | 2005<br>RM'000   | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Overdrafts                 | <b>83,346</b>    | 48,783         | <b>37,087</b>  | 6,517          |
| Bankers' acceptances       | <b>58,590</b>    | 40,788         | —              | 5,088          |
| Revolving credits          | <b>746,250</b>   | 217,000        | <b>440,750</b> | 200,000        |
| Short term loans (Note 24) | <b>250,383</b>   | 603,702        | <b>20,000</b>  | 220,000        |
|                            | <b>1,138,569</b> | 910,273        | <b>497,837</b> | 431,605        |

Borrowings other than the short term loans repayable within twelve months are unsecured and bear interest at weighted average rate of 4.6% (2004: 4.8%) per annum. The terms for short term loans are disclosed in Note 24.

### 23. PAYABLES

|                                   | Group          |                | Company        |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2005<br>RM'000 | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Trade payables                    | <b>397,861</b> | 158,207        | <b>435</b>     | 309            |
| Accrued interest                  | <b>23,403</b>  | 10,786         | <b>8,528</b>   | 12,890         |
| Accrued expenses                  | <b>85,422</b>  | 39,129         | <b>1,378</b>   | 1,134          |
| Deposits received                 | <b>50,815</b>  | 11,142         | —              | —              |
| Other payables                    | <b>116,486</b> | 95,854         | <b>533</b>     | 145            |
| Amounts due to Subsidiaries       | —              | —              | <b>587,136</b> | 148,216        |
| Amounts due to Associates         | <b>12,498</b>  | 9,530          | <b>849</b>     | 3,038          |
| Amounts due to related companies  | <b>3,753</b>   | 4,923          | —              | —              |
| Amount due to holding corporation | <b>3,611</b>   | 3,607          | <b>3,611</b>   | 3,614          |
|                                   | <b>693,849</b> | 333,178        | <b>602,470</b> | 169,346        |

Amounts due to Subsidiaries are unsecured, bear interest at a weighted average rate of 4.8% (2004: 4.2%) per annum and have no fixed terms of repayment. Amounts due to the Associates and related companies are trade balances which are unsecured and interest free with repayment in accordance with normal trading terms. The amount due to holding corporation is unsecured and interest free.

The normal trade credit terms granted to the Group range from 30 to 90 days.



## 24. LONG TERM BORROWINGS

|  | Group            |                | Company         |                |
|--|------------------|----------------|-----------------|----------------|
|  | 2005<br>RM'000   | 2004<br>RM'000 | 2005<br>RM'000  | 2004<br>RM'000 |
| Term loans                                   | 499,420          | 859,534        | 80,000          | 300,000        |
| Islamic bonds                                | 160,000          | 190,000        | —               | —              |
| Redeemable convertible bonds                 | 88,869           | 78,369         | —               | —              |
| Medium term notes                            | 40,000           | 50,000         | —               | —              |
| Bank guaranteed serial bonds                 | 250,000          | 250,000        | 250,000         | 250,000        |
| Bank guaranteed redeemable convertible bonds | 107,227          | 100,000        | 107,227         | 100,000        |
|  | <b>1,145,516</b> | 1,527,903      | <b>437,227</b>  | 650,000        |
| Less: repayable in 1 year (Note 22)          | <b>(250,383)</b> | (603,702)      | <b>(20,000)</b> | (220,000)      |
|  | <b>895,133</b>   | 924,201        | <b>417,227</b>  | 430,000        |
| Analysis by maturity:                        |                  |                |                 |                |
| – within 1 year                              | <b>250,383</b>   | 603,702        | <b>20,000</b>   | 220,000        |
| – from 1 year to 2 years                     | <b>399,704</b>   | 204,239        | <b>90,000</b>   | 20,000         |
| – from 2 years to 5 years                    | <b>388,202</b>   | 489,962        | <b>220,000</b>  | 180,000        |
| – more than 5 years                          | <b>107,227</b>   | 230,000        | <b>107,227</b>  | 230,000        |
|  | <b>1,145,516</b> | 1,527,903      | <b>437,227</b>  | 650,000        |

## **24. LONG TERM BORROWINGS (CONT'D.)**

The Islamic Bonds (IBs) and Redeemable Convertible Bonds (RCBs) which were issued by a Subsidiary, Boustead Properties Berhad (BProp) carry a weighted average interest rate of 8.2% (2004: 7.9%) per annum. Progress billings from sales of the Mutiara Damansara and Mutiara Rini projects are assigned to Escrow Accounts, Profit Service Account and Principal Service Reserve Account for the repayment of the principal and interest of the IBs and RCBs.

The bank guaranteed serial bonds (Serial Bonds) and the bank guaranteed redeemable convertible bonds (BGRCB) are unsecured and bear interest at a weighted average rate of 7.7% per annum, while the medium term notes which are repayable in 2006 bear interest at 6.3% (2004: 6.3%) per annum. All the other borrowings are also unsecured and bear interest at a weighted average rate of 5.5% (2004: 5.5%) per annum. Except for a loan of RM48 million which is denominated in US Dollar, all borrowings are denominated in Ringgit Malaysia.

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

The Serial Bonds which were issued by the Company at a nominal value of RM250 million carry a rating of AAA(bg). The Serial bonds were issued in four series with tenures ranging from 4 years to 7 years, and bear interest at annual interest rates ranging from 5.2% to 5.9% which is payable semi-annually in arrears.

The BGRCB which were issued by the Company at a nominal value of RM100 million carry a rating of AAA/s. The BGRCB has a tenure of 7 years and carries a coupon of 4.5% per annum which is payable semi-annually in arrears.

The BGRCB may be converted into shares (Boustead Shares) of Boustead Holdings Berhad, at the option of the holder, based on a conversion price of RM1.95 per share into a maximum of 51,282,051 new Boustead Shares at any time commencing from the issue date to the maturity date. The Company may redeem all but not part of the BGRCB at any time on or after the expiry of 3 years from the issue date at an accreted value, subject to the market price of the existing Boustead Shares traded on Bursa Malaysia being at least 130% of the conversion price. The BGRCB that remains outstanding upon maturity in August 2011 shall be redeemed at 120% of the nominal value. The new Boustead Shares to be allotted and issued upon conversion of the BGRCB will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to its conversion.

The BGRCB has been accounted for in the balance sheet of the Group and the Company as follows:

|                                      | <b>2005</b><br><b>RM'000</b> | <b>2004</b><br><b>RM'000</b> |
|--------------------------------------|------------------------------|------------------------------|
| Liability component at date of issue | <b>100,000</b>               | 100,000                      |
| Interest expense, net of payment     | <b>7,227</b>                 | —                            |
|                                      | <b>107,227</b>               | 100,000                      |

## 25. DEFERRED TAXATION

|  | Group           |                | Company        |                |
|--|-----------------|----------------|----------------|----------------|
|  | 2005<br>RM'000  | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| At beginning of year                               | <b>27,902</b>   | 32,993         | <b>(4,330)</b> | (344)          |
| Deferred tax of Subsidiaries acquired (Note 14)    | <b>(13,005)</b> | —              | —              | —              |
| Recognised in the income statement                 | <b>2,208</b>    | (8,979)        | <b>6,814</b>   | (3,986)        |
| Credited to equity                                 | —               | 2,018          | —              | —              |
| Credited to minority interest                      | —               | 1,870          | —              | —              |
| At end of year                                     | <b>17,105</b>   | 27,902         | <b>2,484</b>   | (4,330)        |
| Presented after appropriate offsetting as follows: |                 |                |                |                |
| Deferred tax assets                                | <b>55,100</b>   | 51,171         | <b>2,484</b>   | —              |
| Deferred tax liabilities                           | <b>(37,995)</b> | (23,269)       | —              | (4,330)        |
|  | <b>17,105</b>   | 27,902         | <b>2,484</b>   | (4,330)        |

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

|   | Surplus On<br>Revaluation<br>RM'000 | Capital<br>Allowances<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|-------------------------------------|---------------------------------|------------------|-----------------|
| <b>Deferred tax liabilities of the Group:</b> |                                     |                                 |                  |                 |
| At 1 January 2005                             | <b>(5,758)</b>                      | <b>(16,099)</b>                 | <b>(1,412)</b>   | <b>(23,269)</b> |
| Acquisition of Subsidiaries                   | <b>(1,550)</b>                      | <b>(20,102)</b>                 | —                | <b>(21,652)</b> |
| Recognised in the income statement            | <b>908</b>                          | <b>6,717</b>                    | <b>(699)</b>     | <b>6,926</b>    |
| At 31 December 2005                           | <b>(6,400)</b>                      | <b>(29,484)</b>                 | <b>(2,111)</b>   | <b>(37,995)</b> |
| At 1 January 2004                             | (9,237)                             | (19,392)                        | (1,330)          | (29,959)        |
| Recognised in income statement                | (409)                               | 3,293                           | (82)             | 2,802           |
| Credited to equity                            | 2,018                               | —                               | —                | 2,018           |
| Credited to minority interest                 | 1,870                               | —                               | —                | 1,870           |
| At 31 December 2004                           | (5,758)                             | (16,099)                        | (1,412)          | (23,269)        |

|  | <b>Tax<br/>Losses<br/>RM'000</b> | <b>Unabsorbed<br/>Capital<br/>Allowances<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|----------------------------------|---|--------------------------|-------------------------|
| <b>Deferred tax assets of the Group:</b> |                                  |   |                          |                         |
| At 1 January 2005                        | <b>45,767</b>                    | <b>5,404</b>  | —                        | <b>51,171</b>           |
| Acquisition of Subsidiaries              | —                                | —   | <b>8,647</b>             | <b>8,647</b>            |
| Recognised in the income statement       | <b>(2,980)</b>                   | <b>(2,313)</b>  | <b>575</b>               | <b>(4,718)</b>          |
| At 31 December 2005                      | <b>42,787</b>                    | <b>3,091</b>  | <b>9,222</b>             | <b>55,100</b>           |
| At 1 January 2004                        | 42,357                           | 20,595  | —                        | 62,952                  |
| Recognised in income statement           | 3,410                            | (15,191)  | —                        | (11,781)                |
| At 31 December 2004                      | 45,767                           | 5,404   | —                        | 51,171                  |

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

|  | <b>Group</b>           |                        | <b>Company</b>         |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> |
| Unused tax losses  | <b>132,306</b>         | 121,823                | —                      | 1,291                  |
| Unabsorbed capital allowances<br>and agricultural allowances | <b>77,471</b>          | 74,025                 | —                      | —                      |
| Unabsorbed investment<br>tax allowances                      | <b>16,549</b>          | 16,549                 | —                      | —                      |
|  | <b>226,326</b>         | 212,397                | —                      | 1,291                  |

The unused tax losses, unabsorbed investment tax allowances and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the Subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items because it is not probable that they may be used to offset taxable profits of other companies in the Group and they have arisen in companies that have a recent history of losses.



## 26. SHARE CAPITAL

|  | 2005             |                | 2004      |         |
|--|------------------|----------------|-----------|---------|
|  | '000             | RM'000         | '000      | RM'000  |
| Authorised:<br>Ordinary shares of RM0.50 each            | <b>1,000,000</b> | <b>500,000</b> | 1,000,000 | 500,000 |
| Issued and fully paid ordinary shares<br>of RM0.50 each: |                  |                |           |         |
| At beginning of year                                     | <b>579,539</b>   | <b>289,770</b> | 545,746   | 272,873 |
| Issued for cash pursuant to ESOS                         | <b>12,550</b>    | <b>6,275</b>   | 33,793    | 16,897  |
| At end of year   | <b>592,089</b>   | <b>296,045</b> | 579,539   | 289,770 |

As at 31 December 2005, options to subscribe for 9,889,000 new ordinary shares of RM0.50 each pursuant to the ESOS of the Company remained unexercised.

### Employees' Share Option Scheme

The Boustead Holdings Berhad Employees' Share Option Scheme (ESOS) is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 27 April 2001. This Scheme replaces the previous ESOS that expired on 13 June 2001. The main features of the Scheme are as follows:

- (a) Eligible employees are those who have been confirmed with at least twelve months of continuous service in the Group prior to the date of allocation; or are fulltime executive Directors of the Company who are approved as eligible to participate in the Scheme.
- (b) The option is for a period of five years commencing 23 July 2001.
- (c) The option price of each share shall be at a discount of not more than 10% from the weighted average market price of the shares of the Company as stated in the Daily Official Listing issued by the Bursa Malaysia Securities Berhad for the five market days immediately preceding the date of offer and shall not be less than the par value of the share.

- (d) The total number of shares to be offered and allotted under the Scheme shall not exceed ten percent of the total issued share capital of the Company at any point in time during the existence of the Scheme.
- (e) An option granted under the Scheme shall be capable of being exercised by the grantee by notice in writing to the Company during the period commencing on the dates of offer and expiring on 22 July 2006. The option may be exercised in full or for such lesser number of ordinary shares provided the number shall be in multiples of 1,000 shares.
- (f) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any share issue of any other company.

The movement in the options to take up unissued new ordinary shares of RM0.50 each and the option prices at which the employees were entitled to exercise their options during the year ended 31 December 2005 were as follows:

| <b>Exercise date</b> | <b>At 1/01/05<br/>'000</b> | <b>Granted<br/>'000</b> | <b>Adjusted<br/>'000</b> | <b>Exercised<br/>'000</b> | <b>At 31/12/05<br/>'000</b> |
|----------------------|----------------------------|-------------------------|--------------------------|---------------------------|-----------------------------|
| RM0.94               | 12,370                     | —                       | (8,493)                  | (3,877)                   | —                           |
| RM0.98               | 1,154                      | —                       | (754)                    | (400)                     | —                           |
| RM1.34               | —                          | —                       | 8,493                    | (2,186)                   | 6,307                       |
| RM1.38               | —                          | —                       | 754                      | (269)                     | 485                         |
| RM1.50               | 8,915                      | —                       | —                        | (5,818)                   | 3,097                       |
|                      | 22,439                     | —                       | —                        | (12,550)                  | 9,889                       |

## 26. SHARE CAPITAL (CONT'D.)

Details of share options exercised during the year and the fair value, at exercise date, of ordinary shares issued are as follows:

| <b>Exercise date</b>              | <b>Exercise price<br/>RM</b> | <b>Fair value<br/>of ordinary<br/>shares<br/>RM</b> | <b>Number<br/>of share<br/>options<br/>'000</b> | <b>Considerations<br/>received<br/>RM'000</b> |
|-----------------------------------|------------------------------|---|---|---|
| <b>2005</b>                       |                              |   |   |   |
| January to December 2005          | <b>0.94–0.98</b>             | <b>1.77–1.90</b>                                    | <b>4,277</b>                                    | <b>4,036</b>                                  |
| January to December 2005          | <b>1.34–1.50</b>             | <b>1.77–1.90</b>                                    | <b>8,273</b>                                    | <b>12,120</b>                                 |
|                                   |                              |   | <b>12,550</b>                                   | <b>16,156</b>                                 |
| Less par value of ordinary shares |                              |   |   | <b>(6,275)</b>                                |
| Share premium                     |                              |   |   | <b>9,881</b>                                  |

| <b>Exercise date</b>              | <b>Exercise price<br/>RM</b> | <b>Fair value<br/>of ordinary<br/>shares<br/>RM</b> | <b>Number<br/>of share<br/>options<br/>'000</b> | <b>Considerations<br/>received<br/>RM'000</b> |
|-----------------------------------|------------------------------|---|---|---|
| <b>2004</b>                       |                              |   |   |   |
| January to February               | 0.94–0.98                    | 1.47–1.67   | 652   | 617   |
| March to May                      | 0.94–0.98                    | 1.74–1.90   | 28,421  | 26,770  |
| June to August                    | 0.94–0.98                    | 1.55–1.61   | 948   | 895   |
| September to December             | 0.94–0.98                    | 1.65–1.75   | 3,767   | 3,560   |
| September to December             | 1.50                         | 1.65–1.75   | 5   | 8   |
|                                   |                              |   | <b>33,793</b>                                   | <b>31,850</b>                                 |
| Less par value of ordinary shares |                              |   |   | <b>(16,897)</b>                               |
| Share premium                     |                              |   |   | <b>14,953</b>                                 |

## 27. RESERVES

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

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profit as at 31 December 2005.

## 28. RESERVE ON CONSOLIDATION

|                                       | Group           |                |
|---------------------------------------|-----------------|----------------|
|                                       | 2005<br>RM'000  | 2004<br>RM'000 |
| At beginning of year                  | <b>73,198</b>   | 127,800        |
| Additional investment in a Subsidiary | —               | 7,179          |
| Amortisation for the year             | <b>(53,834)</b> | (61,781)       |
| At end of year                        | <b>19,364</b>   | 73,198         |

## 29 . SEGMENTAL INFORMATION

|                                   | Plantation<br>RM'000 | Property<br>Development<br>RM'000 | Property<br>Investment<br>RM'000 | Finance &<br>Investment<br>RM'000 | Trading<br>RM'000 | Manufacturing<br>& Services<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000 |
|-----------------------------------|----------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------------|---------------------------------------|-----------------------|-----------------|
| <b>2005</b>                       |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| <b>Revenue</b>                    |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| Group total sales                 | 452,647              | 248,935                           | 65,749                           | 6,317                             | 1,073,537         | 92,555                                | (15,570)              | 1,924,170       |
| Inter-segment sales               | —                    | —                                 | (5,488)                          | —                                 | (10,082)          | —                                     | 15,570                | —               |
| External sales                    | 452,647              | 248,935                           | 60,261                           | 6,317                             | 1,063,455         | 92,555                                | —                     | 1,924,170       |
| <b>Results</b>                    |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| Segment result                    |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| – external                        | 150,283              | 75,533                            | 12,019                           | (3,742)                           | 32,193            | (1,556)                               | —                     | 264,730         |
| Interest expense                  | (25,948)             | (2,176)                           | (40,899)                         | (38,430)                          | (17,047)          | (5,358)                               | 20,189                | (109,669)       |
| Interest income                   | 8,160                | 1,331                             | 10,432                           | (861)                             | 2,272             | 3,042                                 | (20,189)              | 4,187           |
| Other investment<br>income/(loss) | —                    | —                                 | —                                | 30,015                            | —                 | —                                     | —                     | 30,015          |
| Share of results of<br>Associates | 1,599                | —                                 | (721)                            | 85,868                            | 4,369             | 19,698                                | —                     | 110,813         |
| Profit before tax                 | 134,094              | 74,688                            | (19,169)                         | 72,850                            | 21,787            | 15,826                                | —                     | 300,076         |
| Taxation                          |                      |                                   |                                  |                                   |                   |                                       |                       | (69,629)        |
| Profit after taxation             |                      |                                   |                                  |                                   |                   |                                       |                       | 230,447         |
| Minority interests                |                      |                                   |                                  |                                   |                   |                                       |                       | (39,944)        |
| Net profit for the year           |                      |                                   |                                  |                                   |                   |                                       |                       | 190,503         |



|                                      | Plantation<br>RM'000 | Property<br>Development<br>RM'000 | Property<br>Investment<br>RM'000 | Finance &<br>Investment<br>RM'000 | Trading<br>RM'000 | Manufacturing<br>& Services<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000 |
|--------------------------------------|----------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------------|---------------------------------------|-----------------------|-----------------|
| <b>2005</b>                          |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| <b>Other information</b>             |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| Segment assets                       | 1,019,383            | 671,216                           | 777,082                          | 182,942                           | 1,003,789         | 252,499                               |                       | 3,906,911       |
| Associates                           | 7,451                | —                                 | 46,266                           | 974,994                           | 8,285             | 142,115                               |                       | 1,179,111       |
| Unallocated<br>corporate assets      |                      |                                   |                                  |                                   |                   |                                       |                       | 135,106         |
| Total assets                         |                      |                                   |                                  |                                   |                   |                                       |                       | 5,221,128       |
| Segment liabilities                  | 374,292              | 303,786                           | 217,665                          | 726,540                           | 920,431           | 206,121                               |                       | 2,748,835       |
| Unallocated<br>corporate liabilities |                      |                                   |                                  |                                   |                   |                                       |                       | 66,938          |
| Total liabilities                    |                      |                                   |                                  |                                   |                   |                                       |                       | 2,815,773       |
| Capital expenditure                  | 82,536               | 83                                | 104,121                          | 89                                | 16,661            | 63,452                                |                       | 266,942         |
| Depreciation                         | 35,849               | 480                               | 3,621                            | 138                               | 8,643             | 5,455                                 |                       | 54,186          |
| Other non-cash<br>expenses           | 87,885               | —                                 | —                                | 19,119                            | 4,101             | 897                                   |                       | 112,002         |

## 29. SEGMENTAL INFORMATION (CONT'D)

|                                   | Plantation<br>RM'000 | Property<br>Development<br>RM'000 | Property<br>Investment<br>RM'000 | Finance &<br>Investment<br>RM'000 | Trading<br>RM'000 | Manufacturing<br>& Services<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000 |
|-----------------------------------|----------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------------|---------------------------------------|-----------------------|-----------------|
| <b>2004</b>                       |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| <b>Revenue</b>                    |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| Group total sales                 | 473,929              | 282,669                           | 52,116                           | 7,511                             | 377,870           | 91,203                                | (17,555)              | 1,267,743       |
| Inter-segment sales               | —                    | —                                 | (3,302)                          | —                                 | (14,253)          | —                                     | 17,555                | —               |
| External sales                    | 473,929              | 282,669                           | 48,814                           | 7,511                             | 363,617           | 91,203                                | —                     | 1,267,743       |
| <b>Results</b>                    |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| Segment result                    |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| – external                        | 122,294              | 96,125                            | 26,028                           | 3,881                             | 4,044             | (4,221)                               | —                     | 248,151         |
| Interest expense                  | (41,486)             | —                                 | (29,084)                         | (41,640)                          | (5,273)           | (1,658)                               | 30,632                | (88,509)        |
| Interest income                   | 15,579               | 844                               | 15,179                           | 203                               | 550               | 703                                   | (30,632)              | 2,426           |
| Other investment<br>income/(loss) | 3,705                | —                                 | 95                               | (40,564)                          | (10)              | —                                     | —                     | (36,774)        |
| Share of results of<br>Associates | 617                  | —                                 | 114                              | 90,646                            | 3,179             | 26,904                                | —                     | 121,460         |
| Profit before tax                 | 100,709              | 96,969                            | 12,332                           | 12,526                            | 2,490             | 21,728                                | —                     | 246,754         |
| Taxation                          |                      |                                   |                                  |                                   |                   |                                       |                       | (70,794)        |
| Profit after taxation             |                      |                                   |                                  |                                   |                   |                                       |                       | 175,960         |
| Minority interests                |                      |                                   |                                  |                                   |                   |                                       |                       | (56,800)        |
| Net profit for the year           |                      |                                   |                                  |                                   |                   |                                       |                       | 119,160         |

|                                      | Plantation<br>RM'000 | Property<br>Development<br>RM'000 | Property<br>Investment<br>RM'000 | Finance &<br>Investment<br>RM'000 | Trading<br>RM'000 | Manufacturing<br>& Services<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000 |
|--------------------------------------|----------------------|-----------------------------------|----------------------------------|-----------------------------------|-------------------|---------------------------------------|-----------------------|-----------------|
| <b>2004</b>                          |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| <b>Other information</b>             |                      |                                   |                                  |                                   |                   |                                       |                       |                 |
| Segment assets                       | 1,690,896            | 602,533                           | 700,472                          | 226,466                           | 136,948           | 172,041                               |                       | 3,529,356       |
| Associates                           | 6,291                | —                                 | 47,030                           | 797,621                           | 8,397             | 140,284                               |                       | 999,623         |
| Unallocated<br>corporate assets      |                      |                                   |                                  |                                   |                   |                                       |                       | 113,601         |
| Total assets                         |                      |                                   |                                  |                                   |                   |                                       |                       | 4,642,580       |
| Segment liabilities                  | 891,394              | 228,154                           | 181,784                          | 576,999                           | 155,181           | 154,996                               |                       | 2,188,508       |
| Unallocated<br>corporate liabilities |                      |                                   |                                  |                                   |                   |                                       |                       | 49,923          |
| Total liabilities                    |                      |                                   |                                  |                                   |                   |                                       |                       | 2,238,431       |
| Capital expenditure                  | 64,234               | 852                               | 189,376                          | 29                                | 963               | 58,359                                |                       | 313,813         |
| Depreciation                         | 33,215               | 498                               | 1,598                            | 132                               | 793               | 3,984                                 |                       | 40,220          |
| Other non-cash<br>expenses           | 3,910                | —                                 | 31                               | 99,873                            | 631               | 1,285                                 |                       | 105,730         |

### 30. INTEREST IN JOINT VENTURE PLANTATION

The Group has a 50% interest in Kuala Muda Estate, which is being held at a book value of RM6,145,000 (2004: RM22,284,000). The following amounts represent the Group's share of the assets and liabilities and revenue and expenses of the joint venture plantation that have been included in the balance sheet and income statement:

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | 2005<br>RM'000 | 2004<br>RM'000 |
| Property, plant and equipment | 238            | 14,731         |
| Current assets                | 2,561          | 3,734          |
| Current liabilities           | (206)          | (2,120)        |
| Net assets                    | 2,593          | 16,345         |
| Revenue                       | 3,680          | 3,873          |
| Operating cost                | (2,381)        | (4,143)        |
| Profit/(Loss) before taxation | 1,299          | (270)          |
| Capital commitment            | 72             | 9              |

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

### 31. COMMITMENTS

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2005<br>RM'000 | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Acquisition of investment<br>in Subsidiaries         | —              | 364,000        | —              | 50,000         |
| Capital expenditure contracted                       | <b>135,000</b> | 166,000        | —              | —              |
| Capital expenditure authorised<br>but not contracted | <b>123,000</b> | 86,000         | <b>12,700</b>  | 11,500         |
|  | <b>258,000</b> | 616,000        | <b>12,700</b>  | 61,500         |

Pursuant to the proposed acquisition referred to in Note 38(a) to the financial statements, the Company is expected to invest RM50 million towards the acquisition of additional shares in PSC-Naval Dockyard Sdn Bhd within the next 12 months.

### 32. SALE AND LEASEBACK OF PLANTATION ASSETS

On 22 November 2005, the Group completed an asset-backed securitisation exercise (ABS Programme) involving the disposal of beneficial rights, title and interest in 18 estates and 5 palm oil mills (Plantation Assets) to the special purpose vehicle, Golden Crop Returns Berhad (GCRB).

To fund the ABS Programme, GCRB issued RM442 million Sukuk Al-Ijarah Series 1,2,3,4 and 5 (the Sukuk) at par value to selected investors in the domestic capital markets and obtained an Islamic Musyarakah facility of RM300 million from Lembaga Tabung Angkatan Tentera. The Sukuk is a series of trust certificates, each representing an undivided beneficial ownership of the plantation assets.



### 32. SALE AND LEASEBACK OF PLANTATION ASSETS (CONT'D.)

Subsequent to the disposals, the Group entered into three Master Ijarah Agreements with GCRB for leaseback of the Plantation Assets for lease periods of three, five and seven years. Under the Master Ijarah Agreement, the Group paid a lease deposit of RM35 million.

Concurrent with the execution of the 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 exercise of the Call Options.

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

|   | <b>Group</b>           |                        | <b>Company</b>         |                        |
|---|------------------------|------------------------|------------------------|------------------------|
|   | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> |
| Within 1 year                                   | <b>69,766</b>          | —                      | <b>3,901</b>           | —                      |
| Later than 1 year and<br>not later than 5 years | <b>252,924</b>         | —                      | <b>14,487</b>          | —                      |
| Later than 5 years                              | <b>102,556</b>         | —                      | —                      | —                      |
|   | <b>425,246</b>         | —                      | <b>18,388</b>          | —                      |

### **33. CONTINGENT ASSET**

A Subsidiary has lodged appeals against the valuations adopted by the Government on the compulsory acquisitions of 1,996 hectares of estate land. The disputes on the quantum of any additional compensation have not been settled and the potential benefit if any, has not been included in these financial statements.

### **34. CONTINGENT LIABILITIES**

- (a) There is a pending claim against a Subsidiary for goods sold, delivered and invoiced together with costs and interest. The Subsidiary had denied the claim and filed a counterclaim together with further cost and interests. The Directors, in consultation with legal counsel, are of the opinion that the claim is without merit and no provision is required.
- (b) Pursuant to a claim initiated by the Company against a debtor for the recovery of debts, a counterclaim was subsequently filed by the debtor seeking specific damages for a sum of RM50 million, cost and interest, and that several agreements and debentures entered into previously be declared null and void. The Company and the debtor had since entered into a consent judgment and the final settlement was duly received from the debtor on 18 January 2006.
- (c) A Subsidiary has an obligation to settle a bank loan totaling RM30 million which was assigned to a fellow Subsidiary that was subsequently disposed of at year end.

### 35. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2005<br>RM'000 | 2004<br>RM'000 | 2005<br>RM'000 | 2004<br>RM'000 |
| Purchase of goods from Kao (M) Sdn Bhd, an Associate  | <b>16,904</b>  | 17,149         | —              | —              |
| Purchase of goods from Johan Ceramics Berhad, a subsidiary of LTAT  | <b>10,118</b>  | 13,833         | —              | —              |
| Purchase of goods from UAC Berhad, an Associate   | <b>25,281</b>  | 24,443         | —              | —              |
| Agricultural research and advisory services paid to Applied Agricultural Resources Sdn Bhd, an Associate  | <b>6,148</b>   | 3,059          | —              | —              |
| Insurance premium paid to Royal & Sun Alliance Insurance (M) Berhad, an Associate   | <b>4,948</b>   | 5,226          | <b>83</b>      | 180            |
| Insurance commission received from Royal & Sun Alliance Insurance (M) Berhad, an Associate  | <b>1,246</b>   | 1,080          | —              | —              |
| Stockist commission received from Riche Monde Sdn Bhd, an Associate   | <b>3,093</b>   | 2,523          | —              | —              |
| Sale of development property to UMW Toyota Motor Sdn Bhd, a subsidiary of UMW Holdings Berhad in which our Director, Lt. Gen. (R) Dato' Yusof Din is a director | —              | 10,924         | —              | —              |
| Purchase of estate property from Boustead Plantations Berhad, a Subsidiary  | —              | —              | —              | 53,053         |
| Professional fees paid to MAA Arkitek in which a Subsidiary's director, Dato' Ghazali Mohd Ali is a member  | <b>2,558</b>   | 4,207          | —              | —              |

|  | <b>Group</b>           |                        | <b>Company</b>         |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> |
| Professional fees paid to Azzat & Izzat,<br>a legal firm in which our Director,<br>Datuk Azzat Kamaludin is a member | <b>1,495</b>           | 249                    | <b>13</b>              | 80                     |
| Professional fees paid to Affin Merchant<br>Bank, a subsidiary of LTAT   | <b>298</b>             | 226                    | <b>33</b>              | 46                     |
| Professional fees paid to Affin Bank,<br>a subsidiary of LTAT  | <b>30</b>              | 400                    | <b>—</b>               | 400                    |

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

Pursuant to a supplementary agreement between a Subsidiary and two of its directors for the sub-lease of 12,140.6 hectares of leasehold plantation land for a total consideration of RM39 million, the Subsidiary sub-leased 7,256 (2004: 7,256) hectares of the leasehold plantation land as at 31 December 2005. Balances at year end with these directors are as follows:

|                               | <b>Group</b>           |                        |
|-------------------------------|------------------------|------------------------|
|                               | <b>2005<br/>RM'000</b> | <b>2004<br/>RM'000</b> |
| Deposit paid                  | <b>3,200</b>           | 3,200                  |
| Retention sum and balance due | <b>(2,212)</b>         | (2,212)                |

During the year, the Company has a controlling related party relationship with its direct and indirect Subsidiaries and the Associates as disclosed in the financial statements. The Company also has a related party relationship with its holding corporation, Lembaga Tabung Angkatan Tentera (LTAT) and the subsidiaries and direct/indirect associated companies of LTAT.

### **36. HOLDING COMPANY**

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

### **37. SUBSEQUENT EVENT**

Mutiara Rini Sdn Bhd, a wholly owned Subsidiary of Boustead Properties Berhad had on 14 February 2006 entered into a sale and purchase agreement (SPA) with Lembaga Tabung Angkatan Tentera (LTAT) for the disposal of a 26-storey office tower to be erected on a freehold development land situated at Mutiara Damansara at a total consideration of RM168 million. The proposed disposal to LTAT is conditional upon the approval of shareholders of Boustead Properties Berhad.

### **38. SIGNIFICANT EVENTS**

- (a) On 12 December 2005, the Company announced its intention to acquire from Affin Bank Berhad 36,000,001 ordinary shares of RM1.00 each representing approximately 27.7% equity interest in PSC-Naval Dockyard Sdn Bhd (PSCND) for a cash consideration of RM150.12 million. The purchase consideration will be paid in three (3) equal annual instalments of RM50.04 million each, together with a holding cost of 5% per annum until full payment. The proposed acquisition is conditional upon the approval of shareholders of the Company.
- (b) On 16 September 2005, the Company entered into a share sale agreement (SPA) with Limaran Logistics Sdn Bhd (Limaran) to acquire 40,000,000 ordinary shares of RM1.00 each representing approximately 30% of the issued and paid-up share capital of PSCND for a cash consideration of approximately RM166.5 million.

Subsequently on 2 December 2005, the Company agreed with Limaran to terminate the SPA, and instead entered into a conditional share sale agreement (SSA) to acquire the entire equity interest in Limaran comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. The SSA was completed on 31 December 2005.

- (c) On 22 March 2005, the Company announced to Bursa Malaysia its intention to embark on an asset backed securitisation exercise (ABS Programme) involving the sale of the Group's beneficial interests in certain plantation assets to a Special Purpose Vehicle (SPV) for an indicative cash consideration of RM756 million and



the proposed leaseback from the SPV of these plantation assets. The ABS Programme which was approved by shareholders at an Extraordinary General Meeting convened on 22 June 2005, was duly completed on 22 November 2005 and the final consideration of RM742 million was received through proceeds raised from the issuance of RM442 million of Sukuk Al-Ijarah, or Islamic bonds and a RM300 million Musyarakah facility by the SPV.

- (d) On 30 September 2005, the Group through its Subsidiary Boustead Petroleum Sdn Bhd (formerly known as Boustead Mint Sdn Bhd) acquired 58,310,000 ordinary shares of RM1.00 each representing 70% of the issued and paid-up share capital of BP Malaysia Sdn Bhd (now renamed Boustead Petroleum Marketing Sdn Bhd) for a cash consideration of RM409 million. On even date, Tegas Pertini Sdn Bhd subscribed and paid for 43% of the enlarged issued and paid-up share capital of Boustead Petroleum Sdn Bhd pursuant to the Subscription & Shareholders Agreement dated on 5 September 2005.
- (e) During the year, the Group subscribed for 51% of the issued and paid up capital of Idaman Pharma Manufacturing Sdn Bhd comprising 510,000 ordinary shares of RM1 each at par for cash.

### **39. COMPARATIVES**

The presentation and classification of items in the current year financial statements are consistent with the previous financial year.

### **40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

These financial statements are authorised for issue by the Board of Directors on 28 February 2006.

| Name of Company*                                      | Principal Activities   | Paid-Up Capital | Group Interest |           |
|---|--|-----------------|----------------|-----------|
|   |  |                 | 2005<br>%      | 2004<br>% |
| <b>As at 31 December 2005</b>                         |  |                 |                |           |
| <b>SUBSIDIARIES</b>                                   |  |                 |                |           |
| Boustead Plantations Berhad                           | Investment holdings<br>& oil palm plantations                          | RM124,521,383   | <b>100</b>     | 100       |
| Boustead Properties Berhad                            | Investment holdings,<br>oil palm plantations &<br>property investments | RM255,199,031   | <b>56</b>      | 56        |
| Boustead Rimba Nilai Sdn Bhd                          | Oil palm plantations   | RM100,000,000   | <b>100</b>     | 100       |
| Bounty Crop Sdn Bhd                                   | Investment holding   | RM30,000,000    | <b>100</b>     | 100       |
| Boustead Segaria Sdn Bhd                              | Oil palm plantations   | RM18,000,520    | <b>100</b>     | 100       |
| Boustead Emastulin Sdn Bhd                            | Oil palm plantations &<br>automobile dealership                        | RM17,000,000    | <b>100</b>     | 100       |
| Boustead Credit Sdn Bhd                               | Hire purchase<br>& lease financing                                     | RM15,000,000    | <b>100</b>     | 100       |
| Boustead Eldred Sdn Bhd                               | Oil palm plantations   | RM15,000,000    | <b>100</b>     | 100       |
| Boustead Engineering Sdn Bhd                          | Engineering equipment<br>& chemicals distributor                       | RM8,000,000     | <b>100</b>     | 100       |
| Boustead Trunkline Sdn Bhd                            | Oil palm plantations   | RM7,000,000     | <b>100</b>     | 100       |
| Boustead Sutera Sdn Bhd                               | Oil palm plantations   | RM4,250,000     | <b>100</b>     | 100       |
| Boustead Global Trade<br>Network Sdn Bhd              | Consumer goods<br>distributor  | RM3,000,000     | <b>100</b>     | 100       |
| Boustead Gradient Sdn Bhd                             | Oil palm & coconut<br>plantations                                      | RM3,000,000     | <b>100</b>     | 100       |
| Boustead Weld Quay Sdn Bhd                            | Property investment  | RM2,000,000     | <b>100</b>     | 100       |
| Boustead Emasewa Sdn Bhd                              | Car rental   | RM1,625,159     | <b>100</b>     | 100       |
| Boustead Travel Services Sdn Bhd                      | Travel agent   | RM1,500,000     | <b>100</b>     | 100       |
| Boustead Estates Agency Sdn Bhd                       | Plantation management  | RM1,050,000     | <b>100</b>     | 100       |
| Boustead Management<br>Services Sdn Bhd               | Management services  | RM1,000,000     | <b>100</b>     | 100       |
| Boustead Information<br>Technology Sdn Bhd            | Computer service<br>& systems design                                   | RM1,000,000     | <b>100</b>     | 100       |
| Boustead Construction Sdn Bhd                         | Project management   | RM1,000,000     | <b>100</b>     | 100       |
| Boustead Advisory and<br>Consultancy Services Sdn Bhd | Plantation management  | RM500,002       | <b>100</b>     | 100       |
| Boustead Shipping<br>Agencies Sdn Bhd                 | Shipping agent   | RM200,000       | <b>100</b>     | 100       |

# Boustead Group

| Name of Company*   | Principal Activities          | Paid-Up Capital  | Group Interest |           |
|--|-------------------------------|------------------|----------------|-----------|
|  |                               |                  | 2005<br>%      | 2004<br>% |
| Boustead Solandra Sdn Bhd  | Oil palm & teak plantations   | RM200,000        | 100            | 100       |
| Boustead Electronic Commerce Sdn Bhd                                 | Ceased operation              | RM100,000        | 100            | 100       |
| AB Shipping Sdn Bhd  | Shipbroker                    | RM45,000         | 100            | 100       |
| Bestari Marine Sdn Bhd   | Marine surveys & consultancy  | RM35,000         | 100            | 100       |
| Boustead Sedili Sdn Bhd  | Oil palm plantations          | RM6,150,000      | 100            | 100       |
| Boustead Trading Sdn Bhd***  | Dormant                       | B\$1,000,000     | 100            | 100       |
| Malakoff Management Services Pte Ltd#                                | Management services           | S\$100,000       | 100            | 100       |
| AB Shipping Pte Ltd#   | Shipping agent                | S\$100,000       | 100            | 100       |
| Boustead Silasuka Sdn Bhd  | Ceased operations             | RM10,000,000     | 100            | 98        |
| Boustead Sungai Manar Sdn Bhd  | Ceased operations             | RM4,500,000      | 100            | 89        |
| Boustead Building Materials Sdn Bhd                                  | Building products distributor | RM2,850,000      | 95             | 100       |
| Boustead Kanowit Oil Mill Sdn Bhd                                    | Processing of oil palm        | RM30,000,000     | 85             | 100       |
| Malaysian Welding Industries Sdn Bhd                                 | Investment holding            | RM2,500,000      | 75             | 75        |
| Boustead Heah Joo Seang Sdn Bhd                                      | Oil palm plantations          | RM9,184,000      | 70             | 70        |
| Boustead Sissons Paints Sdn Bhd                                      | Paint manufacturer            | RM6,750,000      | 70             | 70        |
| Boustead Shipping Agencies (B) Sdn Bhd***                            | Shipping agent                | B\$100,000       | 70             | 70        |
| Cargo Freight Shipping Sdn Bhd                                       | Shipping agent                | RM186,000        | 70             | 70        |
| PT Dendymarker Indahlestari+**                                       | Oil palm plantations          | Rp45,000,000,000 | 65             | 65        |
| Boustead Pelita Kanowit Sdn Bhd                                      | Oil palm plantations          | RM34,560,000     | 60             | 60        |
| Boustead Pelita Tinjar Sdn Bhd                                       | Oil palm & teak plantations   | RM48,000,000     | 60             | 60        |
| The University of Nottingham in Malaysia Sdn Bhd                     | Operation of a university     | RM124,960,000    | 66             | 65        |
| Boustead Petroleum Sdn Bhd (formerly known as Boustead Mint Sdn Bhd) | Investment holdings           | RM82,750,000     | 57             | 100       |
| Boustead Realty Sdn Bhd  | Property investments          | RM100,000,000    | 56             | 56        |
| Boustead Weld Court Sdn Bhd  | Property investments          | RM20,000,000     | 56             | 56        |
| U.K. Realty Sdn Bhd  | Ceased operations             | RM40,000,000     | 56             | 56        |
| Mutiara Rini Sdn Bhd   | Property developer            | RM50,000,000     | 56             | 56        |
| Boustead Curve Sdn Bhd   | Property investment           | RM150,000,000    | 56             | 56        |

| Name of Company*   | Principal Activities                                    | Paid-Up Capital  | Group Interest |           |
|--|---|------------------|----------------|-----------|
|  |   |                  | 2005<br>%      | 2004<br>% |
| <b>As at 31 December 2005</b>  |   |                  |                |           |
| <b>SUBSIDIARIES (CONT'D.)</b>  |   |                  |                |           |
| Boustead Hotels & Resorts Sdn Bhd  | Hotel operations  | RM75,000,000     | <b>56</b>      | 56        |
| Boustead Retail Network Sdn Bhd  | Retail of apparels                                      | RM250,000        | <b>56</b>      | 56        |
| Boustead Linear Corporation Sdn Bhd  | Manufacture of chilled water                            | RM12,000,000     | <b>34</b>      | 34        |
| Minat Warisan Sdn Bhd  | Investment holding                                      | RM13,300,000     | <b>55</b>      | 55        |
| PT Anam Koto+**  | Oil palm plantations                                    | Rp14,000,000,000 | <b>52</b>      | 52        |
| Boustead-Anwarsyukur Estate Agency Sdn Bhd                                     | Plantation management                                   | RM500,000        | <b>51</b>      | 51        |
| Jernih Rezeki Sdn Bhd  | Property developer                                      | RM5,000,000      | <b>51</b>      | 51        |
| PT Boustead Indonesia Management Consultancy Services+**                       | Plantation management                                   | Rp1,836,800,000  | <b>51</b>      | 51        |
| Boustead Oil Bulking Sdn Bhd   | Bulking of edible oil                                   | RM7,000,000      | <b>51</b>      | 51        |
| Boustead Petroleum Marketing Sdn Bhd (formerly known as BP Malaysia Sdn Bhd)** | Marketing of petroleum products                         | RM83,300,000     | <b>40</b>      | —         |
| Tatab Concessioners Sdn Bhd  | Investment holdings                                     | RM5,000          | <b>100</b>     | 100       |
| Idaman Pharma Manufacturing Sdn Bhd  | Manufacture and distribution of pharmaceutical products | RM1,000,000      | <b>51</b>      | —         |
| Limaran Logistics Sdn Bhd  | Investment holdings                                     | RM2              | <b>100</b>     | —         |
| Boustead Sissons Paints China Sdn Bhd  | Ceased operations                                       | RM2,200,000      | <b>42</b>      | 42        |
| Sissons Paints Co Ltd Shaoxing@**  | Ceased operations                                       | RMB8,693,329     | <b>42</b>      | 42        |
| Akademi Pendidikan Pemandu (M) Sdn Bhd   | Ceased operations                                       | RM5,000,000      | <b>43</b>      | 43        |
| Sungai Jernih Plantations Sdn Bhd  | Ceased operations                                       | RM98,901,610     | <b>100</b>     | 100       |
| Perwira Plantations Sdn Bhd  | Ceased operations                                       | RM57,120,000     | <b>100</b>     | 100       |
| Syarikat Kemajuan Bumidaya (Sabah) Sdn Bhd                                     | Ceased operations&                                      | RM1,346,408      | <b>100</b>     | 100       |
| Gradient Holdings Sdn Bhd  | Ceased operations&                                      | RM10,000,000     | <b>100</b>     | 100       |
| Syarikat Hing Lee Plantations Sdn Bhd  | Ceased operations&                                      | RM15,000,000     | <b>100</b>     | 100       |
| Yaw Lim Plantations Sdn Bhd  | Ceased operations&                                      | RM6,000,000      | <b>100</b>     | 100       |
| Segamaha Development Sdn Bhd   | Ceased operations&                                      | RM40,000,000     | <b>100</b>     | 100       |
| Progress Castings (1982) Sdn Bhd   | Ceased operations&                                      | RM2,000,000      | <b>100</b>     | 100       |

| Name of Company*                             | Principal Activities                                  | Paid-Up Capital | Group Interest |           |
|--|---|-----------------|----------------|-----------|
|  |   |                 | 2005<br>%      | 2004<br>% |
| Holiday Bath Sdn Bhd                         | Ceased operations*                                    | RM1,750,000     | <b>100</b>     | 100       |
| Kedah Oil Palms Berhad                       | Ceased operations*                                    | RM1,000,000     | <b>100</b>     | 100       |
| Ladang Segaria Sdn Bhd                       | Ceased operations*                                    | RM13,400,000    | <b>100</b>     | 100       |
| Luboh Anak Batu Estates Sdn Bhd              | Ceased operations*                                    | RM1,950,000     | <b>56</b>      | 56        |
| <b>ASSOCIATES</b>                            |   |                 |                |           |
| Pavilion Entertainment<br>Centre (M) Sdn Bhd | Property development                                  | RM3,000,000     | <b>50</b>      | 50        |
| Drew Ameroid (Malaysia) Sdn Bhd              | Industrial chemicals<br>distributor                   | RM20,000        | <b>50</b>      | 50        |
| BTL Sdn Bhd                                  | Hydrographic survey                                   | RM30,000        | <b>50</b>      | 50        |
| Asia Smart Cards<br>Centre (M) Sdn Bhd       | Smart card<br>personalisation                         | RM100,000       | <b>50</b>      | 50        |
| Wah Seong Boustead Co Ltd^                   | Consumer & building<br>products distributor           | Kyat2,760,000   | <b>50</b>      | 50        |
| Riche Monde Sdn Bhd                          | Wine & spirits distributor                            | RM5,600,000     | <b>50</b>      | 50        |
| Applied Agricultural<br>Resources Sdn Bhd    | Agricultural research<br>& advisory services          | RM750,000       | <b>50</b>      | 50        |
| Kao (Malaysia) Sdn Bhd                       | Toiletries, household<br>products distributor         | RM16,000,000    | <b>45</b>      | 45        |
| Boustead Bulking Sdn Bhd                     | Bulking of edible oil                                 | RM1,000,000     | <b>43</b>      | 43        |
| P&O Nedlloyd M.A. Sdn Bhd                    | Shipping agent  | RM50,000        | <b>40</b>      | 40        |
| UAC Berhad                                   | Fibre cement products<br>manufacturer                 | RM73,881,000    | <b>39</b>      | 39        |
| Royal & Sun Alliance<br>Insurance (M) Berhad | General insurance                                     | RM107,267,790   | <b>35</b>      | 35        |
| K'Line Kinkai (Malaysia) Sdn Bhd             | Shipping agent  | RM500,000       | <b>30</b>      | 30        |
| Damansara Entertainment<br>Centre Sdn Bhd    | Property investment                                   | RM17,000,000    | <b>26</b>      | 26        |
| Affin Holdings Berhad                        | Financial services group                              | RM1,211,388,000 | <b>22</b>      | 25        |
| Cadbury Confectionery<br>Malaysia Sdn Bhd    | Chocolate & sugar<br>confectionery manufacturer       | RM8,185,000     | <b>25</b>      | 25        |
| PSC Industries Berhad                        | Investment holding, property<br>holding & development | RM174,083,000   | <b>33</b>      | —         |
| PSC-Naval Dockyard Sdn Bhd                   | Repair and maintenance of<br>naval & merchant ships   | RM130,000,003   | <b>31</b>      | —         |

\* Incorporated in Malaysia unless otherwise indicated

\*\* Subsidiaries not audited by Ernst & Young Global

\*\*\* Incorporated in Brunei

+ Incorporated in Indonesia

^ Incorporated in Myanmar

@ Incorporated in China

# Incorporated in Singapore

& Commenced members'

voluntary liquidation in 2004



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

**1. Utilisation of proceeds raised from corporate proposal**

On 22 November 2005, the Group raised proceeds of RM742 million from the asset backed securitisation exercise referred to in para 10 (b). The proceeds were used to retire part of the Group's bank borrowings, and to fund investments and working capital requirements.

**2. Share buy-backs during the financial year**

The Company did not carry out any share buy-backs exercise during the financial year ended 31 December 2005.

**3. Options, warrants or convertible securities exercised**

On 16 May 2005, the Board of Directors of Boustead Holdings Berhad offered an option to the Group Managing Director Y. Bhg Tan Sri Dato' Lodin Wok Kamaruddin to acquire existing ordinary shares of RM1.00 each of up to five percent (5%) of the enlarged issued and paid up capital of Boustead Petroleum Sdn Bhd (formerly known as Boustead Mint Sdn Bhd) after the completion of the Proposed Acquisition and Proposed Subscription (as described in Para 10 (a) below).

Other than the above, the Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2005 other than the granting of options under the Boustead Holdings Berhad Employees' Share Option Scheme as disclosed in Note 26 to the financial statements.

**4. American depository receipts (ADR) / global depository receipt (GDR)**

The Company has not sponsored any ADR / GDR programme during the financial year ended 31 December 2005.

**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 2005.

**6. Non-audit fees**

|  | Group<br>RM'000 | Company<br>RM'000 |
|--|-----------------|-------------------|
| Non-audit fees paid to external auditors for the financial year ended 31 December 2005 | 100             | 20                |

**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 2005.

**8. Profit guarantee**

There was no profit guarantees given by the Company and its Subsidiaries during the financial year ended 31 December 2005.

**9. Revaluation policy of landed properties**

The Group's revaluation policy of landed properties is set out in Note 10 to the financial statements.

**10. Material contracts**

Particulars of the material contracts of the Company and its Subsidiaries involving Directors and substantial shareholders interests, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year are as follows:

# Additional Disclosure

(Pursuant to the Listing Requirements)

- (a) On 4 February 2005, Boustead Holdings Berhad (Boustead) and its wholly-owned Subsidiary, Boustead Petroleum Sdn Bhd (formerly known as Boustead Mint Sdn Bhd) (BPSB) entered into a conditional Share Sale Agreement with BP Asia Pacific Pte Ltd to acquire 70% of the issued and paid-up capital of BP Malaysia Sdn Bhd (BPM) comprising 58,310,000 ordinary share of RM1.00 each for a cash consideration of USD120 million and subject to the adjustments to the working capital of BPM upon completion. The transaction was completed on 30 September 2005 for a consideration of RM409 million that was settled by cash in the manner stipulated on the Sale and Purchase Agreement.

Further, Boustead, BPSB and Tegas Pertini Sdn Bhd (TPSB) had on 4 February 2005 entered into a conditional agreement for the subscription by TPSB of new ordinary shares of RM1.00 each of up to 43% of the enlarged issued and paid-up share capital of BPSB at par value. The transaction was completed on 30 September 2005 for a consideration that was settled by cash pursuant to the Subscription & Shareholders Agreement.

- (b) On 22 March 2005, the Company announced to Bursa Malaysia its intention to embark on an asset backed securitisation exercise (ABS Programme) involving the sale of the Group's beneficial interests in certain plantation assets to a Special Purpose Vehicle (SPV) for an indicative cash consideration of RM756 million and the proposed leaseback from the SPV of these plantation assets. The ABS Programme which was approved by shareholders at an Extraordinary General Meeting convened on 22 June 2005 was duly completed on 22 November 2005 and the final consideration of RM742 million was received through proceeds raised from the

issuance of RM442 million of Sukuk Al-Ijarah, or Islamic bonds and a RM300 million Musyarakah facility by the SPV.

- (c) On 12 December 2005, the Company announced its intention to acquire from Affin Bank Berhad 36,000,001 ordinary shares of RM1.00 each representing approximately 27.7% equity interest in PSC-Naval Dockyard Sdn Bhd for a cash consideration of RM150.12 million. The purchase consideration will be paid in three (3) equal annual instalments of RM50.04 million each, together with a holding cost of 5% per annum until full payment. The proposed acquisition is conditional upon the approval of shareholders of the Company.
- (d) Mutiara Rini Sdn Bhd, a wholly owned Subsidiary of Boustead Properties Berhad had on 14 February 2006 entered into a sale and purchase agreement (SPA) with Lembaga Tabung Angkatan Tentera (LTAT) for the disposal of a 26-storey office tower to be erected on a freehold development land situated at Mutiara Damansara at a total consideration of RM168 million. The proposed disposal to LTAT is conditional upon the approval of shareholders of Boustead Properties Berhad.

### 11. Recurrent related party transactions of a revenue or trading nature

At the Annual General Meeting held on 25 March 2005, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 4.1.5 of Practice Note No. 12/2001 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2005 pursuant to the Shareholders' Mandate are disclosed as follows:

| <b>Related Party</b>                   | <b>Interested Director/<br/>Connected Person</b>      | <b>Nature of<br/>Transactions</b>   | <b>Value of<br/>Transactions<br/>RM'000</b> |
|--|---|---|---|
| Boustead Building<br>Materials Sdn Bhd | Gen. (R) Tan Sri<br>Dato' Mohd Ghazali<br>Hj. Che Mat | Management services<br>provided by Boustead<br>Holdings Berhad                      | <b>87</b>                                   |
|  |   | Sales of paints by<br>Boustead Sissons Paints<br>Sdn Bhd                            | <b>10,899</b>                               |
| Boustead Sissons<br>Paints Sdn Bhd     | Gen. (R) Tan Sri<br>Dato' Mohd Ghazali<br>Hj. Che Mat | Management services<br>provided by Boustead<br>Holdings Berhad                      | <b>216</b>                                  |
|  |   | Purchase of paints by<br>Boustead Building<br>Materials Sdn Bhd                     | <b>10,899</b>                               |
|  |   | Provision of warehousing<br>services by Boustead<br>Global Trade Network<br>Sdn Bhd | <b>156</b>                                  |
|  |   | Provision of computer<br>services by Boustead<br>Information Technology<br>Sdn Bhd  | <b>296</b>                                  |

| <b>Related Party</b>             | <b>Interested Director/<br/>Connected Person</b>   | <b>Nature of<br/>Transactions</b>  | <b>Value of<br/>Transactions<br/>RM'000</b> |
|----------------------------------|--|--|---|
| Boustead Properties Berhad Group | Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat  | Sale of fertilisers by Boustead Engineering Sdn Bhd  | <b>5,019</b>                                |
|                                  | Tan Sri Dato' Lodin Wok Kamaruddin   | Advertising services provided by Boustead Advertising Sdn Bhd  | <b>116</b>                                  |
|                                  | Hj. Johari Muhamad Abbas   | Construction works by Boustead Construction Sdn Bhd  | <b>1,143</b>                                |
|                                  | Datuk Azzat Kamaludin  | General and plantation management services by Boustead Holdings Berhad and Boustead Estates Agency Sdn Bhd | <b>1,375</b>                                |
|                                  |  | Office rental paid by Boustead Holdings Berhad Group   | <b>3,566</b>                                |
|                                  |  | Property management services provided to Boustead Holdings Berhad  | <b>148</b>                                  |
|                                  |  | Provision of renovation works by Boustead Building Materials Sdn Bhd                                       | <b>27,532</b>                               |
|                                  |  | Provision of computer services by Boustead Information Technology Sdn Bhd                                  | <b>747</b>                                  |
|                                  | Purchase of fresh fruit bunches by Boustead Plantations Berhad and Boustead Heah Joo Seang Sdn Bhd | <b>36,204</b>  |   |

| <b>Related Party</b>                                      | <b>Interested Director/<br/>Connected Person</b>      | <b>Nature of<br/>Transactions</b>  | <b>Value of<br/>Transactions<br/>RM'000</b> |
|---|---|--|---|
| Boustead<br>Heah Joo Seang<br>Sdn Bhd                     | Gen. (R) Tan Sri<br>Dato' Mohd Ghazali<br>Hj. Che Mat | General and plantation<br>management services provided<br>by Boustead Estates Agency<br>Sdn Bhd                            | <b>3,695</b>                                |
|   | Tan Sri Dato' Lodin<br>Wok Kamaruddin                 | Sale of fresh fruit bunches<br>by Boustead Properties Berhad   | <b>11,172</b>                               |
|   | Hj. Johari<br>Muhamad Abbas                           | Sale of engineering equipment<br>and chemicals by Boustead<br>Engineering Sdn Bhd  | <b>1,705</b>                                |
| The University<br>of Nottingham<br>in Malaysia<br>Sdn Bhd | Gen. (R) Tan Sri<br>Dato' Mohd Ghazali<br>Hj. Che Mat | General and project management<br>services by Boustead Holdings<br>Berhad and Boustead Construction<br>Sdn Bhd             | <b>1,096</b>                                |
|   | Tan Sri Dato' Lodin<br>Wok Kamaruddin                 |  |   |
| Affin Holdings<br>Berhad Group                            | Gen. (R) Tan Sri Dato'<br>Mohd Ghazali<br>Hj. Che Mat | Office rental for Menara Boustead<br>and Menara Affin paid to Boustead<br>Realty Sdn Bhd and Boustead<br>Properties Berhad | <b>12,353</b>                               |
|   | Tan Sri Dato' Lodin<br>Wok Kamaruddin                 | Professional fees paid to<br>Affin Holdings Berhad Group   | <b>328</b>                                  |
|   | Hj. Johari Muhamad<br>Abbas                           |  |   |
|   | Datuk Azzat<br>Kamaludin                              |  |   |



| <b>Related Party</b>                         | <b>Interested Director/<br/>Connected Person</b>   | <b>Nature of<br/>Transactions</b>   | <b>Value of<br/>Transactions<br/>RM'000</b> |
|--|--|---|---|
| Damansara<br>Entertainment<br>Centre Sdn Bhd | Hj. Johari<br>Muhamad Abbas  | Management services<br>provided by Boustead<br>Construction Sdn Bhd             | <b>225</b>                                  |
| UAC Berhad                                   | Gen. (R) Tan Sri<br>Dato' Mohd Ghazali<br>Hj. Che Mat  | Office rental for Menara<br>Boustead paid to<br>Boustead Realty Sdn Bhd         | <b>391</b>                                  |
|  | Tan Sri Dato' Lodin<br>Wok Kamaruddin  | Sale of trading goods to<br>Boustead Building<br>Materials Sdn Bhd              | <b>25,281</b>                               |
|  | Dato' (Dr.) Megat<br>Abdul Rahman<br>Megat Ahmad   |   |   |
| Irat Hotel &<br>Resorts<br>Sdn Bhd           | Dato' Ghazali<br>Mohd Ali  | Office rental for Menara<br>Boustead paid to<br>Boustead Realty Sdn Bhd         | <b>50</b>                                   |
| Johan Ceramics<br>Berhad                     | Tan Sri Dato' Lodin<br>Wok Kamaruddin  | Sale of trading goods to<br>Boustead Building Materials<br>Sdn Bhd              | <b>10,118</b>                               |
|  | Dato' (Dr.) Megat Abdul<br>Rahman Megat Ahmad  |   |   |
| Arkitek MAA                                  | Dato' Ghazali<br>Mohd Ali<br>(a director of Boustead<br>Properties Berhad and<br>member of the firm) | Architectural services<br>to Mutiara Rini Sdn Bhd<br>and Boustead Curve Sdn Bhd | <b>2,558</b>                                |
| Azzat & Izzat                                | Datuk Azzat<br>Kamaludin   | Provision of legal<br>services to Boustead<br>Holdings Berhad Group             | <b>1,495</b>                                |

| <b>Location</b>  | <b>Hectares</b> | <b>Description</b>         | <b>Tenure</b> | <b>Age of Buildings</b> | <b>Book Value</b> |
|--|-----------------|----------------------------|---------------|-------------------------|-------------------|
|  |                 |                            |               | <b>Years</b>            | <b>RM million</b> |
| <b>At 31 December 2005</b>                             |                 |                            |               |                         |                   |
| 71 Jalan Raja Chulan, Kuala Lumpur                     | 0.11            | Office complex             | Freehold      | 22                      | 21.0              |
| 69 Jalan Raja Chulan, Kuala Lumpur                     | 0.43            | Office complex             | Freehold      | 20                      | 128.0             |
| 80 Jalan Raja Chulan, Kuala Lumpur                     | 0.34            | Office complex             | Freehold      | 7                       | 108.0             |
| Lot 923 Jalan Ampang, Kuala Lumpur                     | 1.23            | Residential bungalows      | Freehold      | 25                      | 6.4               |
| 16 Jalan Bukit Tunku, Kuala Lumpur                     | 0.34            | Residential bungalow       | Freehold      | 51                      | 1.7               |
| 24 Pesiaran Bukit Tunku, Kuala Lumpur                  | 0.28            | Residential bungalow       | Freehold      | 44                      | 1.7               |
| 6 Jalan Girdle, Kuala Lumpur                           | 0.32            | Residential bungalow       | Freehold      | 42                      | 5.5               |
| PT 5915 Batu 4 1/2, Jalan Genting Kelang, Kuala Lumpur | 3.10            | Development land           | 1997 – 2096   |                         | 14.3              |
| 2 Jalan Penchala, Petaling Jaya, Selangor              | 0.41            | Industrial land & building | 1957 – 2056   |                         | 1.2               |
| 15 Jalan Gudang, Shah Alam, Selangor                   | 0.40            | Industrial land & building | 1970 – 2069   | 10                      | 3.5               |
| 11 Jalan Ragum, Shah Alam, Selangor                    | 1.21            | Industrial land & building | 1987 – 2086   | 18                      | 5.7               |
| Balau Estate, Semenyih, Selangor                       | 507             | Oil palm estate            | Freehold      |                         | 10.6              |

# Group Property Portfolio

| Location   | Hectares | Description                 | Tenure      | Age of    | Book       |
|--|----------|-----------------------------|-------------|-----------|------------|
|  |          |                             |             | Buildings | Value      |
|  |          |                             |             | Years     | RM million |
| Lots 723 & 724, Section 8, Petaling Jaya, Selangor         | 0.17     | Industrial land & building  | 1970 – 2069 | 20        | 3.7        |
| Lot 9, Section 7, Pulau Indah Industrial Park, Port Kelang | 1.88     | Industrial land             | 1995 – 2094 |           | 2.9        |
| Malaya Estate, Selama, Perak                               | 923      | Oil palm estate             | Freehold    |           | 14.9       |
| 1 Weld Quay, Georgetown, Penang                            | 0.05     | Commercial land & building  | Freehold    | 10        | 0.4        |
| 1A Weld Quay, Penang (Lot 723, 724, 725)                   | 0.26     | Industrial land & buildings | Freehold    | 21        | 2.7        |
| No 2 Weld Quay, Penang                                     | 0.18     | Vacant land                 | Freehold    |           | 4.1        |
| 1033 Jalan Chain Ferry, Prai                               | 0.71     | Industrial land & building  | Freehold    | 31        | 2.7        |
| Lot 90, Semambu Industrial Estate, Pahang                  | 0.41     | Industrial land             | 1975 – 2041 | 6         | 2.5        |
| Lots 22 & 25, Section 1, Bandar Indera Mahkota, Pahang     | 0.59     | Industrial land & building  | 1996 – 2062 | 6         | 3.8        |
| Batu Pekaka Estate, Kuala Ketil, Kedah                     | 688      | Oil palm estate             | Freehold    |           | 12.3       |
| Luboh Anak Batu Estate, Kuala Ketil, Kedah                 | 285      | Oil palm estate             | Freehold    |           | 6.4        |
| Bukit Mertajam Estate, Kulim, Kedah                        | 2,166    | Oil palm estate             | Freehold    |           | 31.6       |
| Lepan Kabu Estate, Kuala Krai, Kelantan estate             | 2,038    | Rubber & oil palm           | Freehold    |           | 29.6       |

| <b>Location</b>   | <b>Hectares</b> | <b>Description</b>         | <b>Tenure</b> | <b>Age of Buildings</b> | <b>Book Value</b> |
|---|-----------------|----------------------------|---------------|-------------------------|-------------------|
|   |                 |                            |               | <b>Years</b>            | <b>RM million</b> |
| <b>At 31 December 2005</b>  |                 |                            |               |                         |                   |
| 21 Jalan Padu, Tampoi Industrial Estate, Johor Bahru                  | 0.61            | Industrial land & building | 1975 – 2035   | 30                      | 1.6               |
| Bekoh Estate, Tangkak, Johor  | 1,227           | Oil palm estate            | Freehold      |                         | 23.2              |
| Chamek Estate, Paloh, Johor   | 835             | Oil palm estate            | Freehold      |                         | 15.0              |
| Kulai Young Estate, Kulai, Johor                                      | 1,022           | Oil palm estate            | Freehold      |                         | 18.3              |
| Mutiara Rini, Kulai, Johor  | 429.54          | Development land           | 1912 – 2911   |                         | 12.0              |
| 17-21 Jalan Bukit Bintang   | 0.31            | Hotel                      | Freehold      | 8                       | 110.0             |
| the Curve, No 6, Jalan PJU 7/3, Mutiara Damansara, Selangor           | 5.04            | Commercial land & building | Freehold      | 1                       | 292.3             |
| HSDN 183241 PT 44582, Mutiara Damansara, Mukim Sungai Buluh, Selangor | 0.61            | Commercial land            | Freehold      |                         | 5.2               |
| Telok Sengat Estate, Kota Tinggi, Johor                               | 3,717           | Oil palm estate            | Freehold      |                         | 32.3              |
| Lot 22, Sedco Industrial Estate, Kota Kinabalu, Sabah                 | 0.50            | Industrial land & building | 1975 – 2034   | 27                      | 1.7               |
| Km 1.4 Jalan Leila, Sandakan, Sabah                                   | 0.35            | Industrial land & building | 1889 – 2888   | 23                      | 2.0               |
| Pulau Bai Estate, Sandakan, Sabah                                     | 326             | Coconut estate             | 1883 – 2881   |                         | 6.3               |
| Lot 1331, Jalan Perdana, Kuching, Sarawak                             | 0.54            | Industrial land & building | 1967 – 2027   | 11                      | 2.0               |

| <b>Location</b>   | <b>Hectares</b> | <b>Description</b> | <b>Tenure</b> | <b>Age of Buildings</b> | <b>Book Value</b> |
|---|-----------------|--------------------|---------------|-------------------------|-------------------|
|   |                 |                    |               | <b>Years</b>            | <b>RM million</b> |
| No 4, Cecil Rae Drive, Ipoh, Perak                      | 0.14            | Service Station    | Freehold      | 35                      | 0.6               |
| 33-A, Jln Changkat Jong, Teluk Intan, Perak             | 0.16            | Service Station    | Freehold      | 37                      | 0.4               |
| 88 Jln Kampar, Ipoh, Perak                              | 0.23            | Service Station    | Freehold      | 36                      | 1.2               |
| 19 Jln Kamunting, Taiping, Perak                        | 0.12            | Service Station    | Freehold      | 35                      | 0.3               |
| 82 Jln Kuala Kangsar, Ipoh, Perak                       | 0.22            | Service Station    | Freehold      | 36                      | 0.7               |
| 175 Jln Lahat, Ipoh, Perak                              | 0.14            | Service Station    | Freehold      | 36                      | 0.5               |
| Lot 218-222, Jln Siputeh, Pusing, Perak                 | 0.08            | Service Station    | Freehold      | 35                      | 0.2               |
| Lot 6721, Jln Raja Chulan, Kuala Kangsar, Perak         | 0.09            | Service Station    | Freehold      | 36                      | 0.3               |
| Lot 7390, Jln Besar, Sungai Siput, Perak                | 0.11            | Service Station    | Freehold      | 34                      | 0.2               |
| Lot 1635 Jln Damansara, P.J., Selangor                  | 0.29            | Service Station    | Freehold      | 15                      | 1.8               |
| Pers. Sultan Ibrahim, Klang, Selangor                   | 0.12            | Service Station    | Freehold      | 40                      | 1.2               |
| Lot 35001, Pers. Tengku Ampuan Rahimah, Klang, Selangor | 0.5             | Service Station    | Freehold      | 13                      | 3.4               |
| Lot 25685, Jln SS2/60, P.J., Selangor                   | 0.19            | Service Station    | Freehold      | 21                      | 5.6               |
| Lot 4973, Jln SS 14/2, Subang Jaya, P.J., Selangor      | 0.1             | Service Station    | Freehold      | 23                      | 0.8               |



| <b>Location</b>                                      | <b>Hectares</b> | <b>Description</b> | <b>Tenure</b> | <b>Age of Buildings</b> | <b>Book Value</b> |
|--|-----------------|--------------------|---------------|-------------------------|-------------------|
|  |                 |                    |               | <b>Years</b>            | <b>RM million</b> |
| <b>At 31 December 2005</b>                           |                 |                    |               |                         |                   |
| Lot PT 3, Jln Lpgn. Terbang Subang, Subang, Selangor | 0.4             | Service Station    | Freehold      | 11                      | 4.7               |
| Lot PT 9181 & 9182, Bdr. Sri Damansara, K.L.         | 0.3             | Service Station    | Freehold      | 11                      | 3.6               |
| Lot PT 14342, Pers. Tengku Ampuan, S.A., Selangor    | 0.56            | Service Station    | Freehold      | 10                      | 5.6               |
| 2, Tmn Alam Megah, Shah Alam, Selangor               | 0.44            | Service Station    | Freehold      | 10                      | 3.9               |
| Lot PT 21534/35, Bdr. Sri Damansara, K.L.            | 0.28            | Service Station    | Freehold      | 10                      | 4.9               |
| Lot PT 46120, Jln Bkt. Kemuning, S.A., Selangor      | 0.4             | Service Station    | Freehold      | 7                       | 3.7               |
| No 70, Tmn Sri Muda, S.A., Selangor                  | 0.29            | Service Station    | Freehold      | 8                       | 4.6               |
| Lot 11840, Jln Gambang, Kuantan, Pahang              | 0.13            | Service Station    | Freehold      | 15                      | 0.6               |
| Lot No. 10 Sec. 8, Raub, Pahang                      | 0.16            | Service Station    | Freehold      | 34                      | 1.9               |
| A-268, Jln Teluk Sesek, Kuantan, Pahang              | 0.23            | Service Station    | Freehold      | 16                      | 0.6               |
| Jln Mentakab, Temerloh, Pahang                       | 0.23            | Service Station    | Freehold      | 20                      | 0.7               |
| 49 Jln Bakau Chondong, Batu Pahat, Johor             | 0.21            | Service Station    | Freehold      | 19                      | 0.6               |
| 4 Jln Khalidi, Muar, Johor                           | 0.18            | Service Station    | Freehold      | 38                      | 0.5               |
| 67 Jln Rahmat, Batu Pahat, Johor                     | 0.13            | Service Station    | Freehold      | 34                      | 0.5               |

| Location  | Hectares | Description     | Tenure   | Age of    | Book       |
|---|----------|-----------------|----------|-----------|------------|
|   |          |                 |          | Buildings | Value      |
|   |          |                 |          | Years     | RM million |
| 179 Jln Rogayah,<br>Batu Pahat, Johor                 | 0.17     | Service Station | Freehold | 34        | 0.6        |
| Lot PTD 85377,<br>Tmn Molek, Johor                    | 0.22     | Service Station | Freehold | 12        | 1.7        |
| Lot 1828, Pasir Gudang<br>Highway, Tampoi, Johor      | 1.34     | Service Station | Freehold | 12        | 4.6        |
| Lot 1279, Pasir Gudang<br>Highway, Plentong, Johor    | 2.73     | Service Station | Freehold | 11        | 4.6        |
| Lot PTD 64867,<br>Jln Purnama 6, Johor                | 0.39     | Service Station | Freehold | 9         | 5.0        |
| Lot PTD 43769,<br>Jln Sena, Masai, Johor              | 0.18     | Service Station | Freehold | 10        | 1.2        |
| Lot PTD 101051/52,<br>Bdr. Baru Permas Jaya,<br>Johor | 0.32     | Service Station | Freehold | 9         | 4.3        |
| Lot 2083, Kota Tinggi,<br>Johor                       | 0.19     | Service Station | Freehold | 8         | 3.8        |
| Lot PTD 116060,<br>Mk. Plentong, Masai,<br>Johor      | 0.53     | Service Station | Freehold | 3         | 7.9        |
| Lot PT 5419,<br>Sungai Petani, Kedah                  | 0.12     | Service Station | Freehold | 31        | 0.7        |
| Lot 217 & 2279,<br>Sungai Petani, Kedah               | 0.38     | Service Station | Freehold | 7         | 3.8        |
| 1/4 Jln Pantai,<br>Port Dickson, N.S.                 | 0.19     | Service Station | Freehold | 38        | 0.5        |
| Lot 214, Jln Seremban,<br>Tampin, N.S.                | 0.17     | Service Station | Freehold | 37        | 0.6        |

| <b>Location</b>                                | <b>Hectares</b> | <b>Description</b> | <b>Tenure</b> | <b>Age of Buildings</b> | <b>Book Value</b> |
|--|-----------------|--------------------|---------------|-------------------------|-------------------|
|  |                 |                    |               | <b>Years</b>            | <b>RM million</b> |
| <b>At 31 December 2005</b>                     |                 |                    |               |                         |                   |
| No. 3-F, MK 13,<br>Jln Air Itam, P.P.          | 0.18            | Service Station    | Freehold      | 36                      | 0.8               |
| 127 Jln Anson, P.P.                            | 0.16            | Service Station    | Freehold      | 35                      | 1.0               |
| 505 Jln Sungai Rambai,<br>Bkt Mertajam, P.P.   | 0.08            | Service Station    | Freehold      | 36                      | 0.6               |
| Lot 1642, Jln Kulim,<br>Bkt Mertajam, P.P.     | 0.07            | Service Station    | Freehold      | 9                       | 4.5               |
| 1084 Jln Baru, Prai, P.P.                      | 0.4             | Service Station    | Freehold      | 7                       | 5.1               |
| Lot 1253, 539 Batu 3,<br>Jln Ipoh, K.L.        | 0.17            | Service Station    | Freehold      | 19                      | 1.5               |
| Lot PT 4606,<br>Jln Klang Lama, K.L.           | 0.16            | Service Station    | Freehold      | 15                      | 1.7               |
| 78 Jln Maarof, Bangsar, K.L.                   | 0.17            | Service Station    | Freehold      | 12                      | 1.7               |
| Lot 8267-8272,<br>Jln Pantai Baru, K.L.        | 0.1             | Service Station    | Freehold      | 35                      | 1.1               |
| Lot 9375, Tmn Overseas<br>Union, K.L.          | 0.24            | Service Station    | Freehold      | 15                      | 2.1               |
| Lot 3313, Jln Sentul, K.L.                     | 0.1             | Service Station    | Freehold      | 16                      | 0.9               |
| Lot 16699, Tmn Cheras, K.L.                    | 0.14            | Service Station    | Freehold      | 19                      | 0.7               |
| PT25-32, Tmn City, K.L.                        | 0.23            | Service Station    | Freehold      | 13                      | 2.9               |
| Lot 3280 & 3281,<br>98 Jln Genting Klang, K.L. | 0.46            | Service Station    | Freehold      | 11                      | 3.7               |
| No. 15534 Mukim Tebrau,<br>J.B., Johor         | 0.14            | Vacant land        | Freehold      |                         | 0.4               |
| No. 38981, Mukim Plentong,<br>Johor            | 0.28            | Vacant land        | Freehold      |                         | 1.3               |

| Location   | Hectares | Description     | Tenure      | Age of    | Book       |
|--|----------|-----------------|-------------|-----------|------------|
|  |          |                 |             | Buildings | Value      |
|  |          |                 |             | Years     | RM million |
| Lot 144 Penampang New Township, K.K., Sabah            | 0.15     | Service Station | Freehold    |           | 0.5        |
| Lot 13639, Kg Sungai Kayu Ara, P.J., Selangor          | 0.35     | Service Station | 1980 - 2079 | 8         | 4.8        |
| Lot LO 7469 & PT7470, Puchong, Selangor                | 1.67     | Service Station | 1968 - 2072 | 8         | 4.5        |
| PTD 51897, Tmn Kemas, Tampoi, Johor                    | 0.32     | Service Station | 1997 - 2096 | 6         | 4.2        |
| Lot PT 4620, Jln Dato Muda Linggi, Seremban, N.S.      | 0.3      | Service Station | 1993 - 2094 | 7         | 3.3        |
| Lot 17774, Jln 2, Desa Jaya, K.L.                      | 0.27     | Service Station | 2003 - 2063 | 25        | 3.3        |
| Lot PT 6035, Lebu Ayer Keroh, Melaka.                  | 0.3      | Service Station | 1996 - 2094 | 7         | 3.2        |
| Lot 32040-32045, Jln Kuchai Lama, K.L.                 | 0.22     | Service Station | 1987 - 2086 | 13        | 2.7        |
| Lot L.O. 6, Pers. Raja Muda Musa, Pel. Klang, Selangor | 0.12     | Service Station | 2003 - 2102 | 18        | 2.7        |
| Lot PT 3169, Tmn Seri Endah, K.L.                      | 0.18     | Service Station | 1993 - 2083 | 14        | 2.5        |
| 68 Pers. Raja Muda Musa, Klang, Selangor               | 0.1      | Service Station | 2002 - 2101 | 19        | 2.4        |
| Lot 4440, Bidor, Perak                                 | 0.13     | Service Station | 2002 - 2101 | 32        | 2.0        |
| Lot PT 1085, Lebuhraya Petaling Jaya, P.J., Selangor   | 0.32     | Service Station | 1989 - 2079 | 13        | 2.0        |

| <b>Location</b>   | <b>Hectares</b> | <b>Description</b> | <b>Tenure</b> | <b>Age of Buildings</b> | <b>Book Value</b> |
|---|-----------------|--------------------|---------------|-------------------------|-------------------|
|   |                 |                    |               | <b>Years</b>            | <b>RM million</b> |
| <b>At 31 December 2005</b>                              |                 |                    |               |                         |                   |
| Lot PTB 12473,<br>Kaw. Perusahaan Larkin,<br>Johor      | 0.36            | Service Station    | 1991 - 2040   | 14                      | 1.8               |
| Lot 5241 & 5242,<br>Jln Genting Klang,<br>Setapak, K.L. | 0.38            | Service Station    | 1974 - 2073   | 13                      | 1.7               |
| L.O. 7, Jln Templer, P.J.,<br>Selangor                  | 0.18            | Service Station    | 1969 - 2068   | 11                      | 1.2               |
| 181 Jln Jelutong, P.P.                                  | 0.36            | Service Station    | 1984 - 2026   | 35                      | 1.1               |
| Lot 1601 & 1602, Seri<br>Kembangan, Selangor            | 0.09            | Service Station    | 1992 - 2052   | 13                      | 0.9               |
| Lot PT 15365 & 15372,<br>Bdr. Sunway, P.J., Selangor    | 0.26            | Service Station    | 1995 - 2055   | 10                      | 0.9               |
| Lot PT 1, Batu 61/2,<br>Jln Kepong, K.L.                | 0.52            | Service Station    | 1976 - 2006   | 14                      | 0.7               |
| Lot PT 1889, Jln SS 21/56,<br>P.J., Selangor            | 0.15            | Service Station    | 1981 - 2011   | 24                      | 0.4               |
| Lot PT 4283, Tmn Bkt<br>Kuchai, Puchong, Selangor       | 0.17            | Service Station    | 1982 - 2012   | 20                      | 0.2               |
| Lot 49 & 56, 290<br>Jln Ampang, K.L.                    | 0.12            | Service Station    | 1977 - 2006   | 32                      | 0.2               |
| 42 Jln Batu Pahat, Kluang,<br>Johor                     | 0.12            | Service Station    | 1990 - 2020   | 34                      | 0.1               |



| Location  | Hectares | Description                | Tenure      | Age of    | Book       |
|---|----------|----------------------------|-------------|-----------|------------|
|   |          |                            |             | Buildings | Value      |
|   |          |                            |             | Years     | RM million |
| No 6 Jalan PJU 7/3, Mutiara Damansara, Selangor | 0.62     | Hotel                      | Freehold    | 1         | 33.0       |
| Solandra Estate, Kemaman, Terengganu estate     | 430      | Oil palm & teak            | 1984 – 2054 |           | 5.0        |
| Lots 1441 & 1442, Section 66, Kuching, Sarawak  | 0.25     | Industrial land & building | 1981 – 2046 | 17        | 0.3        |
| Loagan Bunut Estate, Miri, Sarawak              | 4,190    | Oil palm estate            | 1991 – 2091 |           | 54.5       |
| Sungai Lelak Estate, Miri, Sarawak              | 3,734    | Oil palm estate            | 1988 – 2088 |           | 46.8       |
| Ladang Tabung Tentera, Kemaman, Terengganu      | 1,938    | Oil palm estate            | 1982 – 2054 |           | 23.7       |
| Bukit Limau Estate, Miri, Sarawak               | 4,827    | Oil palm & teak estate     | 1995 – 2094 |           | 38.7       |
| Kelimum Estate, Kanowit, Sarawak                | 2,212    | Oil palm estate            | 1998 – 2058 |           | 37.0       |
| Maong Estate, Kanowit, Sarawak                  | 1,275    | Oil palm estate            | 1998 – 2058 |           | 21.2       |
| Mapai Estate, Kanowit, Sarawak                  | 2,721    | Oil palm estate            | 1998 – 2058 |           | 38.1       |
| Jih Estate, Kanowit, Sarawak                    | 2,960    | Oil palm estate            | 1998 – 2058 |           | 55.9       |
| Pedai Estate, Kanowit, Sarawak                  | 3,422    | Oil palm estate            | 1998 – 2058 |           | 58.4       |

| <b>Location</b>   | <b>Hectares</b> | <b>Description</b>         | <b>Tenure</b> | <b>Age of Buildings</b> | <b>Book Value</b> |
|---|-----------------|----------------------------|---------------|-------------------------|-------------------|
|   |                 |                            |               | <b>Years</b>            | <b>RM million</b> |
| <b>At 31 December 2005</b>                              |                 |                            |               |                         |                   |
| Bawan Estate, Kanowit, Sarawak                          | 1,794           | Oil palm estate            | 1998 – 2058   |                         | 30.9              |
| AKO Estate, Muara Kiawi, Sumatra, Indonesia             | 4,789           | Oil palm estate            | 1999 – 2029   |                         | 7.5               |
| Bingin Rupit Estates, Musi Rawas, Sumatra, Indonesia    | 17,793          | Oil palm estate            | 1998 – 2028   |                         | 54.3              |
| Lot 70, Mutiara Damansara, Mukim Sungai Buloh, Selangor | 45.87           | Development land           | Freehold      |                         | 78.5              |
| 24 Bakar Arang Industrial Estate, Kedah                 | 0.2             | Industrial land & building | 1971 – 2070   | 15                      | 7.34              |
| Lot 1385, Bandar Selayang, Gombak                       | 0.64            | Industrial land & building | Freehold      | 6                       | 4.6               |
| 26 Jalan Tun Sambanthan 3, Brickfields                  | 0.02            | Office building            | Freehold      | 22                      | 1.5               |
| Lot 26, Phase NUIA, Nilai Utama Enterprise Park         | 1.93            | Industrial land            | Freehold      |                         | 18.0              |
| Grant No. 5314, Semenyih, Selangor                      | 41.2            | University campus          | Freehold      |                         | 105.35            |
| Boustead Sedili, Ulu Sedili                             | 1,036           | Oil palm estate            | 2004 – 2093   |                         | 9.3               |
| Sugut land reserve                                      | 2,460           | Agricultural land          | 1997 – 2096   |                         | 12.4              |
| Trunkline land reserve                                  | 307             | Agricultural land          | 1997 – 2027   |                         | 1.3               |

| <b>Location</b>  | <b>Hectares</b> | <b>Description</b> | <b>Tenure</b> |
|--|-----------------|--------------------|---------------|
| <b>Estates leased under asset backed securitisation exercise (ABS Programme)</b> |                 |                    |               |
| TRP Estate, Trong, Perak   | 1,411           | Oil palm estate    | Freehold      |
| Malakoff Estate, Tasek Glugor, Penang  | 1,411           | Oil palm estate    | Freehold      |
| Stothard Estate, Kuala Ketil, Kedah  | 983             | Oil palm estate    | Freehold      |
| Kedah Oil Palm Estate, Kulim, Kedah  | 245             | Oil palm estate    | Freehold      |
| Kuala Muda Estate, Sungei Petani, Kedah (Half Interest)                          | 776             | Oil palm estate    | Freehold      |
| Eldred Estate, Bekoh, Johor  | 1,827           | Oil palm estate    | Freehold      |
| Ladang Segaria, Semporna, Sabah  | 4,746           | Oil palm estate    | 1965 – 2072   |
| Sungai-Sungai/Kawananan, Sugut, Sabah  | 7,479           | Oil palm estate    | 1997 – 2098   |
| Sungai Segamaha, Lahad Datu, Sabah   | 3,245           | Oil palm estate    | 1979 – 2077   |
| Bukit Segamaha, Lahad Datu, Sabah  | 2,415           | Oil palm estate    | 1979 – 2077   |
| Resort Estate, Sandakan, Sabah   | 1,135           | Oil palm estate    | 1973 – 2071   |
| Nak Estate, Sandakan, Sabah  | 1,386           | Oil palm estate    | 1963 – 2075   |
| Sutera Estate, Sandakan, Sabah   | 2,306           | Oil palm estate    | 1888 – 2888   |
| Ladang Bebar, Pekan, Pahang  | 2,388           | Oil palm estate    | 1984 – 2083   |
| Ladang Sungai Jernih, Pekan, Pahang  | 2,746           | Oil palm estate    | 1981 – 2091   |
| Ladang Tabung Tentera, Lahad Datu, Sabah   | 2,023           | Oil palm estate    | 1979 – 2077   |

# Group Oil Palm Agricultural Statistics

| For Year Ended 31 December                             | 2005             | 2004      | 2003      | 2002    | 2001    |
|--|------------------|-----------|-----------|---------|---------|
| <b>Planted hectares</b>                                |                  |           |           |         |         |
| Prime mature   | <b>55,301</b>    | 38,975    | 38,728    | 40,663  | 38,074  |
| Young mature   | <b>18,378</b>    | 33,013    | 28,164    | 16,934  | 11,856  |
| Mature   | <b>73,679</b>    | 71,988    | 66,892    | 57,597  | 49,930  |
| Immature   | <b>4,559</b>     | 8,219     | 13,126    | 21,245  | 28,316  |
| Total planted  | <b>78,238</b>    | 80,207    | 80,018    | 78,842  | 78,246  |
| <b>FFB crop (MT)</b>                                   | <b>1,215,027</b> | 1,149,176 | 1,089,079 | 979,804 | 948,372 |
| <b>FFB yield per prime mature hectare (MT/hectare)</b> | <b>22.2</b>      | 22.9      | 23.0      | 22.0    | 22.8    |
| <b>Mill production (MT)</b>                            |                  |           |           |         |         |
| Palm oil   | <b>237,521</b>   | 213,368   | 179,182   | 158,276 | 160,234 |
| Palm kernel  | <b>58,840</b>    | 52,928    | 45,785    | 40,490  | 41,370  |
| <b>Extraction rates (%)</b>                            |                  |           |           |         |         |
| Palm oil   | <b>20.4</b>      | 19.9      | 19.8      | 20.3    | 19.8    |
| Palm kernel  | <b>5.1</b>       | 4.9       | 5.1       | 5.2     | 5.1     |
| <b>Oil yield per prime mature hectare (MT/hectare)</b> | <b>5.2</b>       | 5.2       | 5.3       | 5.0     | 5.1     |
| <b>Average selling prices (RM per MT)</b>              |                  |           |           |         |         |
| FFB  | <b>261</b>       | 308       | 272       | 229     | 142     |
| Palm oil   | <b>1,375</b>     | 1,616     | 1,504     | 1,287   | 852     |
| Palm kernel  | <b>981</b>       | 1,036     | 713       | 645     | 418     |

# Plantation Area Statement

## AREA STATEMENT

|                     | 2005     |                   | 2004     |                   |
|---------------------|----------|-------------------|----------|-------------------|
|                     | Hectares | % of planted area | Hectares | % of planted area |
| Oil Palm            | 78,238   | 99.36             | 79,293   | 99.21             |
| Forestry            | 326      | 0.42              | 395      | 0.49              |
| Coconut             | 176      | 0.22              | 176      | 0.22              |
| Rubber              | —        | —                 | 60       | 0.08              |
| Total Planted       | 78,740   | 100.00            | 79,924   | 100.00            |
| Plantable reserves  | 14,124   |                   | 14,074   |                   |
| Building sites, etc | 13,283   |                   | 13,368   |                   |
| Total               | 106,147  |                   | 107,366  |                   |

## AGE PROFILE OF PALMS

| Region              | Immature  | Young Mature | Prime Mature |             |            | Total Planted |
|---------------------|-----------|--------------|--------------|-------------|------------|---------------|
|                     | < 3 years | 3-6 years    | 7-15 years   | 16-25 years | > 25 years | Hectares      |
| (Hectares)          |           |              |              |             |            |               |
| Peninsular Malaysia | 2,944     | 3,141        | 10,362       | 9,607       | 17         | 26,071        |
| Sabah               | 1,595     | 7,271        | 10,428       | 3,716       | —          | 23,010        |
| Sarawak             | —         | 6,150        | 12,661       | —           | —          | 18,811        |
| Indonesia           | 20        | 1,816        | 8,510        | —           | —          | 10,346        |
| Total               | 4,559     | 18,378       | 41,961       | 13,323      | 17         | 78,238        |

Oil palm area includes 36,260 hectares leased under ABS programme.



### Analysis of shareholdings as at 27 January 2006

| Size of shareholdings                      | No. of holders | %             | No. of shares      | %             |
|--|----------------|---------------|--------------------|---------------|
| < 1000                                     | 488            | 6.38          | 116,542            | 0.02          |
| 1,000 — 10,000                             | 5,295          | 69.25         | 20,529,717         | 3.46          |
| 10,001 — 100,000                           | 1,661          | 21.72         | 48,125,176         | 8.13          |
| 100,001 — less than 5%<br>of issued shares | 202            | 2.64          | 126,233,592        | 21.32         |
| 5% and above of issued shares              | 1              | 0.01          | 397,149,062        | 67.07         |
| <b>Total</b>                               | <b>7,647</b>   | <b>100.00</b> | <b>592,154,089</b> | <b>100.00</b> |

### 30 largest shareholders

|  | No. of shares | %     |
|--|---------------|-------|
| 1. Lembaga Tabung Angkatan Tentera   | 397,149,062   | 67.07 |
| 2. Scotia Nominees (Tempatan) Sdn Bhd<br>(Pledged Securities Account For Che Lodin Bin Wok Kamaruddin) | 10,000,000    | 1.69  |
| 3. Eng Hueng Fook Henry  | 6,734,000     | 1.14  |
| 4. HSBC Nominees (Tempatan) Sdn Bhd<br>(Nomura Asset Mgmt Sg For Employees Provident Fund)             | 6,635,600     | 1.12  |
| 5. Citigroup Nominees (Asing) Sdn Bhd<br>(Exempt An For Citibank NA (Charles Schwab))                  | 5,257,900     | 0.89  |
| 6. Yong Siew Yoon  | 4,055,040     | 0.68  |
| 7. Chinchoo Investment Sdn Berhad  | 3,806,600     | 0.64  |
| 8. Citigroup Nominees (Asing) Sdn Bhd<br>(Goldman Sachs International)                                 | 3,392,000     | 0.57  |
| 9. Citigroup Nominees (Asing) Sdn Bhd<br>(CBNY For DFA Emerging Markets Fund)                          | 3,078,700     | 0.52  |
| 10. Loo Geok Eng   | 2,837,000     | 0.48  |
| 11. Citigroup Nominees (Asing) Sdn Bhd<br>(CTCL For Invesco Perpetual International Equity Fund)       | 2,474,000     | 0.42  |
| 12. Gan Teng Siew Realty Sdn Berhad  | 2,452,000     | 0.41  |
| 13. Permodalan Nasional Berhad   | 2,414,666     | 0.41  |
| 14. Amanah Raya Nominees (Tempatan) Sdn Bhd<br>(Amanah Saham Wawasan 2020)                             | 2,385,000     | 0.40  |

# Shareholding Statistics

|  | No. of shares          | %     |
|--|------------------------|-------|
| 15. Key Development Sdn Berhad   | 2,300,500              | 0.39  |
| 16. HLB Nominees (Tempatan) Sdn Bhd<br>(Pledged Securities Account For Ooi Chieng Sim)   | 2,300,000              | 0.39  |
| 17. HSBC Nominees (Tempatan) Sdn Bhd<br>(HSBC (M) Trustee Bhd For OSK-UOB Emerging Opportunity Unit Trust) (4611)                  | 2,182,700              | 0.37  |
| 18. CIMSEC Nominees (Tempatan) Sdn Bhd<br>(CIMB-Principal Asset Management Berhad For Employees Providend Fund Board)              | 2,045,700              | 0.35  |
| 19. Malaysian Reinsurance Berhad   | 2,000,000              | 0.34  |
| 20. Pertubuhan Keselamatan Sosial  | 2,000,000              | 0.34  |
| 21. Asial Life (M) Berhad<br>(As Beneficial Owner) (PF)  | 1,997,333              | 0.34  |
| 22. Universiti Malaya  | 1,861,333              | 0.31  |
| 23. Citigroup Nominees (Asing) Sdn Bhd<br>(CBNY For DFA Emerging Markets Small Cap Series)   | 1,707,100              | 0.29  |
| 24. Loo Geok Eng   | 1,592,000              | 0.27  |
| 25. Manulife Insurance (Malaysia) Berhad   | 1,503,000              | 0.25  |
| 26. Hong Leong Bank Berhad   | 1,276,600              | 0.22  |
| 27. Cartaban Nominees (Asing) Sdn Bhd<br>(Credit Industriel ET Commercial, Singapore For Eng Hueng Fook Henry)                     | 1,274,033              | 0.22  |
| 28. Mayban Securities Nominees (Tempatan) Sdn Bhd<br>(Pledged Securities Account For Ooi Chieng Sim) (REM 444)                     | 1,222,399              | 0.21  |
| 29. Malaysia Nominees (Tempatan) Sendirian Berhad<br>(Amanah SSCM Asset Management Berhad For Amanah Millenia Fund Berhad) (JM730) | 1,156,000              | 0.20  |
| 30. HDM Nominees (Tempatan) Sdn Bhd<br>(UOB Kay Hian Pte Ltd For Chin Kiam Hsung)  | 1,143,700              | 0.19  |
|  | 480,233,966            | 81.12 |
| <b>Shareholders with holdings of 5% and above as at 27 January 2006</b>  |                        |       |
| Lembaga Tabung Angkatan Tentera  | 397,149,062            | 67.07 |
| <b>Class of shares</b>   | RM0.50 ordinary shares |       |
| <b>Voting rights</b>   | 1 vote per share       |       |

| <b>Name of Director</b>                    | <b>Direct</b>        |          |
|--|----------------------|----------|
|  | <b>No. of shares</b> | <b>%</b> |
| <b>Boustead Holdings Berhad</b>            |                      |          |
| No. of ordinary shares of RM0.50 each      |                      |          |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 10,092,800           | 1.70     |
| Tuan Hj. Johari Muhamad Abbas              | 66,666               | 0.01     |
| <b>SUBSIDIARIES</b>                        |                      |          |
| <b>Boustead Properties Berhad</b>          |                      |          |
| No. of ordinary shares of RM1.00 each      |                      |          |
| Tuan Hj. Johari Muhamad Abbas              | 42,500               | 0.02     |
| Y. Bhg. Datuk Azzat Kamaludin              | 5,000                | —        |

# Statement of Directors' Interest

(in the company and related corporations  
as at 27 January 2006)

| Name of Director  | Direct        |      |
|---|---------------|------|
|   | No. of shares | %    |
| <b>RELATED COMPANIES</b>                                |               |      |
| <b>Affin Holdings Berhad</b>                            |               |      |
| No. of ordinary shares of RM1.00 each                   |               |      |
| Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat | 91,708        | 0.01 |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin              | 8,714         | —    |
| Tuan Hj. Johari Muhamad Abbas                           | 27,000        | —    |
| Y. Bhg. Datuk Azzat Kamaludin                           | 110,000       | 0.01 |
| <b>Johan Ceramics Berhad</b>                            |               |      |
| No. of ordinary shares of RM1.00 each                   |               |      |
| Y. Bhg. Dato' (Dr) Megat Abdul Rahman Megat Ahmad       | 2,000         | —    |
| <b>Affin Holdings Berhad</b>                            |               |      |
| No. of units - Warrants (W2/W3)                         |               |      |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin              | 1,500         | —    |
| Tuan Hj. Johari Muhamad Abbas                           | 5,000         | —    |
| Y. Bhg. Datuk Azzat Kamaludin                           | 22,500        | —    |

**NOTICE IS HEREBY GIVEN that the FORTY-FOURTH ANNUAL GENERAL MEETING OF BOUSTEAD HOLDINGS BERHAD will be held at 4th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 30 March 2006 at 11.00 a.m. for the purpose of transacting the following business:**

**Resolution Number      ORDINARY BUSINESS**

- 1** To receive and, if thought fit, adopt the audited financial statements for the year ended 31 December 2005, and the Report of the Directors.
- 2** To declare a final dividend of 12% less tax to be paid on 25 May 2006.
- 3** To re-elect Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin who retires by rotation and, being eligible, offers himself for re-election.  
  
To consider and, if thought fit, pass the following resolutions:
- 4** "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat who is over 70 years of age be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
- 5** "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din who is over 70 years of age be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
- 6** "THAT pursuant to Section 129(6) of the Companies Act, 1965, Tuan Hj. Johari Muhamad Abbas who is over 70 years of age be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
- 7** To approve Directors' Fees.
- 8** To re-appoint Auditors and to authorise the Directors to determine their remuneration.



# Notice of Annual General Meeting

## SPECIAL BUSINESS

## Resolution Number

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

Ordinary Resolution – Authority to Allot and Issue Shares In General Pursuant to Section 132D of the Companies Act, 1965 **9**

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

Ordinary Resolution – Approval to Transact with Directors Pursuant to Section 132E of the Companies Act, 1965 **10**

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

Terms:

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

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

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

**Resolution Number**    **SPECIAL BUSINESS (CONT'D.)**

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

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

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

whichever is the earlier.”

**11** Ordinary Resolution – Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions

“THAT, subject to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its Subsidiaries to enter into all transactions involving the Related Parties as specified in Section 2.3.1 of the Circular to Shareholders dated 8 March 2006 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;

#### Resolution Number

- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders in a General Meeting;

whichever is the earlier.

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

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

12

“THAT, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its Subsidiaries shall be mandated to enter into recurrent transactions of a revenue or trading nature with the Related Party as specified in Section 2.3.2 of the Circular to Shareholders dated 8 March 2006 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

**Resolution Number**

**SPECIAL BUSINESS (CONT'D.)**

(iii) that such authority shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company following the General Meeting at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the Meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after this date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by a resolution passed by the shareholders in a General Meeting;

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

To transact any other ordinary business of the Company.

Kuala Lumpur  
8 March 2006

By Order of the Board  
**SHARIFAH MALEK**  
Secretary

**FINAL DIVIDEND AND BOOKS CLOSURE**

If approved, the above dividend will be paid to shareholders on 25 May 2006.

NOTICE IS HEREBY GIVEN that the Transfer Register and Register of Members of the Company will be closed on 3 May 2006 for the determination of shareholders' entitlements to the said dividend.

**NOTES:**

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

# Statement Accompanying Notice of Annual General Meeting

## DETAILS OF BOARD MEETINGS

A total of five Board Meetings were held during the financial year ended 31 December 2005, details of which are as follows:

| <b>Date</b>      | <b>Time</b>            | <b>Place</b>  |
|------------------|------------------------|---|
| 24 February 2005 | 11.45 a.m to 2.00 p.m  | 28th Floor Menara Boustead,<br>69 Jalan Raja Chulan, 50200 Kuala Lumpur |
| 16 May 2005      | 2.50 p.m to 5.05 p.m   | 28th Floor Menara Boustead,<br>69 Jalan Raja Chulan, 50200 Kuala Lumpur |
| 01 August 2005   | 11.05 a.m to 12.40 p.m | 28th Floor Menara Boustead,<br>69 Jalan Raja Chulan, 50200 Kuala Lumpur |
| 22 August 2005   | 12.15 p.m to 1.50 p.m  | 28th Floor Menara Boustead,<br>69 Jalan Raja Chulan, 50200 Kuala Lumpur |
| 25 November 2005 | 11.10 a.m to 1.40 p.m  | 28th Floor Menara Boustead,<br>69 Jalan Raja Chulan, 50200 Kuala Lumpur |

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

| <b>Name of Directors</b>   | <b>Number of meetings attended</b> |
|--|------------------------------------|
| (a) Directors standing for re-appointment under Section 129 (6) of the Companies Act, 1965 |                                    |
| (i) Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat                                | All 5 meetings                     |
| (ii) Y. Bhg. Lt. Gen. (R) Dato' Mohd. Yusof Din  | 4 of 5 meetings                    |
| (iii) Tuan Hj. Johari Muhammad Abbas   | All 5 meetings                     |
| (b) Director standing for re-election  |                                    |
| (i) Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin   | All 5 meetings                     |



# Proxy Form

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

of \_\_\_\_\_

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

\_\_\_\_\_ as my/our proxy to attend and vote as indicated hereon and on my/our behalf at the Annual General Meeting of the Company to be held on 30 March 2006 and at any adjournment thereof.

| Resolution   | For | Against |
|--|-----|---------|
| No. 1 Adoption of Directors' Report and Financial Statements                     |     |         |
| No. 2 Approval of Dividend   |     |         |
| No. 3 Re-election of Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin                  |     |         |
| No. 4 Re-election of Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat     |     |         |
| No. 5 Re-election of Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din                   |     |         |
| No. 6 Re-election of Tuan Hj. Johari Muhamad Abbas                               |     |         |
| No. 7 Approval of Directors' fees  |     |         |
| No. 8 Re-appointment of Auditors   |     |         |
| No. 9 Approval for Directors to allot and issue shares                           |     |         |
| No. 10 Authority to transact with Directors                                      |     |         |
| No. 11 Renewal of Shareholders' Mandate for Recurrent Related Party Transactions |     |         |
| No. 12 Additional Shareholders' Mandate for Recurrent Related Party Transactions |     |         |

**No. of Shares** \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006 \_\_\_\_\_ Signature

**Notes:**

- If you wish to appoint as a Proxy some person other than the Chairman of the Meeting, please insert in block capitals the full name and address of the person of your choice and initial the insertion at the same time deleting the words "the Chairman of the Meeting or". A Proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.
- In the absence of any specific direction the Proxy will vote, or abstain from voting, as he thinks fit.
- In the case of a Corporation, the Proxy should be executed under its Common

Seal or under the hand of some officer duly authorised in writing in that behalf.

- Article 62. If you have appointed more than one proxy, please specify the proportion of your shares to be represented by each proxy.
- Article 93. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the Share Registrar's office of the Company located at 13th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

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STAMP

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







**Boustead Holdings Berhad** 3871-H  
28 Floor, Menara Boustead,  
69 Jalan Raja Chulan,  
50200 Kuala Lumpur, Malaysia

[www.boustead.com.my](http://www.boustead.com.my)