www.boustead.com.my

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

Boustead Holdings Berhad 3871-H

Annual Report 2006

Boustead Holdings Berhad 3871-H

(A member of LTAT Group)

Annual Report 2006

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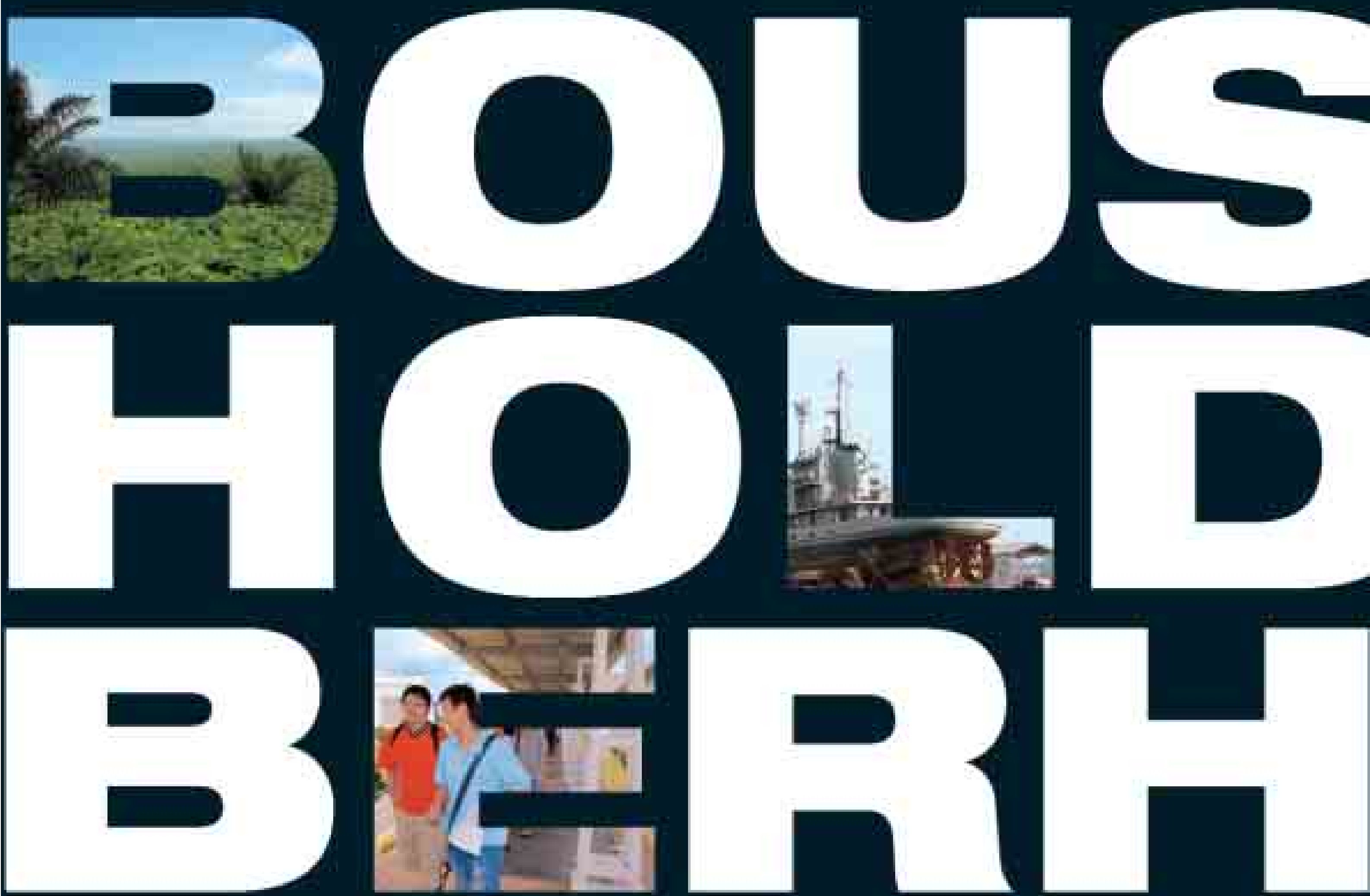

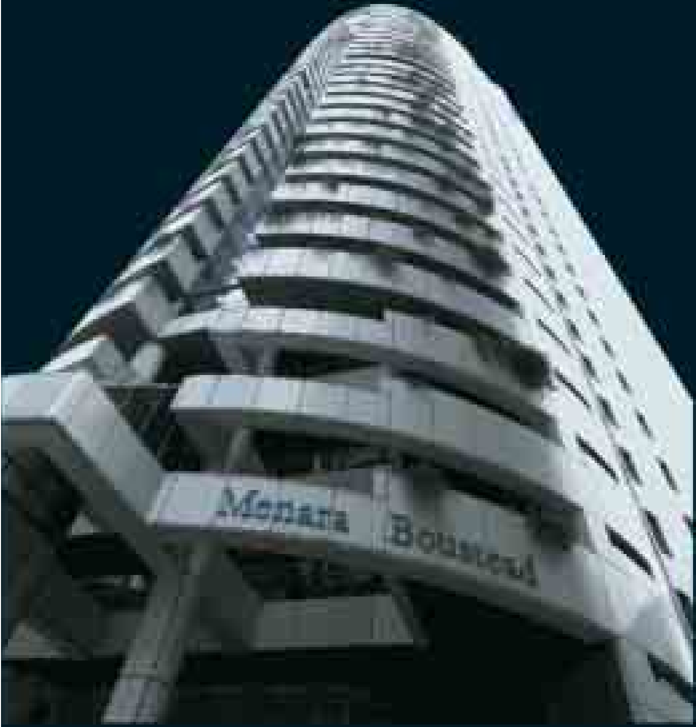

annual report

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STEAD
DINGS
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Board of Directors

Standing from left
Y. BHG. LT. GEN. (R) DATO' MOHD YUSOF DIN
Y. BHG. DATUK AZZAT KAMALUDIN
Y. BHG. DATO' (DR.) MEGAT ABDUL RAHMAN MEGAT AHMAD
TUAN HJ. JOHARI MUHAMAD ABBAS

Sitting from left
Y. BHG. GEN. (R) TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT
Y. BHG. TAN SRI DATO' LODIN WOK KAMARUDDIN

Directors' Profile

Y. BHG. GEN. (R) TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT
Chairman
Non-Independent Non-Executive Director
76 years of age, Malaysian

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

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

Y. BHG. TAN SRI DATO' LODIN WOK KAMARUDDIN
Group Managing Director
Non-Independent Executive Director
57 years of age, Malaysian

Tan Sri Lodin 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).

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

Directors' Profile

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

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

Dato' Yusof is a graduate of the Royal Military Academy, Sandhurst, United Kingdom; Defence Services Staff College, India; and International Defence Management Naval Institute, United States of America. He holds a diploma in Practical & Applied Psychology in Industry from Aldermaston College, United Kingdom. He 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
67 years of age, Malaysian

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

Dato' Megat is also the senior independent non-executive Director to whom all concerns regarding the Group may be conveyed. He holds a Bachelor of Commerce degree from University of Melbourne, Australia. He is a member of the Malaysian Institute of Certified Public Accountants, a member of the Malaysian Institute of Accountants and a Fellow Member of the Institute of Chartered Accountants in Australia. He was a partner of KPMG, Malaysia and managing partner of KPMG Desa, Megat & Co. for over 10 years and an executive director in Kumpulan Guthrie Berhad for 11 years. He also sits on the Boards of UAC Berhad, Royal & Sun Alliance Insurance (M) Berhad, Zelan 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
61 years of age, Malaysian

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

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

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

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

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

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
CIMB Bank Berhad
RHB Bank Berhad
Affin Bank Berhad
EON Bank Berhad
United Overseas Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad

SECRETARY

Pn. Sharifah Malek

AUDITORS

Ernst & Young

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

HOLDING CORPORATION

Lembaga Tabung Angkatan Tentera

Corporate Calendar

FINANCIAL YEAR
1 January to 31 December 2006

RESULTS

First Quarter
Announced 25 May 2006

Second Quarter
Announced 25 August 2006

Third Quarter
Announced 23 November 2006

Fourth Quarter
Announced 27 February 2007

ANNUAL REPORT
Issued 14 March 2007

ANNUAL GENERAL MEETING
To be held 5 April 2007

DIVIDENDS

First Interim
Announced 25 August 2006
Entitlement date 15 September 2006
Paid 9 October 2006

Second Interim
Announced 23 November 2006
Entitlement date 26 December 2006
Paid 18 January 2007

Final and Bonus
Announced 27 February 2007
Entitlement date 10 April 2007
Payable 2 May 2007

Senior Management Team

Standing

MR KOO HOCK FEE
Director, Manufacturing & Corporate Planning

Sitting from left

Y. BHG. TAN SRI DATO' LODIN WOK KAMARUDDIN
Group Managing Director

MR DANIEL EBINESAN
Director, Financial Services

Y. BHG. DATO' GHAZALI MOHD ALI
Divisional Director, Property

Y. Bhg. Dato' Seri Ahmad Ramli Hj Mohd Nor
Boustead Naval Shipyard

Mr Chow Kok Choy
Boustead Estates Agency

En Hussin Abdul Jalil
Boustead Estates Agency

En Shoib Abdullah
Boustead Estates Agency

Mr Lee Keong Hoe
Boustead Estates Agency

Mr Teng Peng Khen
Boustead Estates Agency

En Rahim Mohd Som
Boustead Emastulin
& Boustead Credit

En Mokhtar Khir
The Royale Bintang Hotel

Senior Management Team

Mr Tan Kim Thiam
Boustead Petroleum Marketing

Professor Brian Atkin
University of Nottingham
Malaysia Campus

En Musa Hj Sulaiman
Boustead Global Trade Network

Puan Farshilla Imran
Idaman Pharma

Dr. Rodaina Ibrahim
Boustead Information
Technology

Mr Ting Sik Fatt
Boustead Engineering

Mr Chew Chik Soo
Boustead Building Materials
& Boustead Sissons Paints

Ms Serena Ngiam
Boustead Travel Services

En Khushairi Mohd Hashim
Mutiara Rini

Mr Bernard Khit
Boustead Shipping Agencies

Puan Azizah Aris
Boustead Emasewa

Mr Koh Chor Meng
Asia Smart Cards Centre

Mr Chan Pooi Hoong
Group Internal Audit

Puan Sharifah Malek
Company Secretary

Puan Nawal Hanafiah
Group Human Resources

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 2006.

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 20 February 2006, 24 February 2006, 25 May 2006, 24 August 2006 and 23 November 2006, a total of five meetings. The composition of the Audit Committee and the attendance by each member at the Committee meetings held during the year are set out on the following page.

From top

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

Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin

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

Tuan Hj. Johari Muhamad Abbas

Audit Committee Report

Name of Director	Status of Directorship	Independent	Attendance of meetings
Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Chairman of the Committee	Yes	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	All 5 meetings
Tuan Hj. Johari Muhamad Abbas	Non-executive Director	Yes	4 of 5 meetings

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

Audit Committee Report

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The terms of reference of the Committee are as follows:

Composition

The Audit Committee members shall be appointed by and from the Board of Directors of Boustead Holdings Berhad and shall number not less than three members, 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, the Board shall within 3 months of that event appoint such number of new members as may be necessary to make up the minimum number of three members.

Quorum and Committee's Procedures

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

Authority

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

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

Responsibilities and Duties

The Committee shall undertake the following responsibilities and duties:

1. To review with the external auditors, the audit plan, the scope of audit and the audit report.
2. To review the evaluation of the system of internal control with the internal and external auditors.
3. To review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
4. To review the internal audit programme, processes, the results of the internal audit programme or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
5. To provide an independent assessment of the adequacy and reliability of the risk assessment process.
6. To review the quarterly results and the year end financial statements of the Group prior to the approval by the Board of Directors, focusing particularly on:
   - changes in or implementation of major accounting policies;
   - significant and unusual events; and
   - compliance with accounting standards and other regulatory requirements.
7. To review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
8. To 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.
- The Committee met with the external auditors twice during the year, of which one meeting was conducted without the presence of management.

INTERNAL AUDIT FUNCTION

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

The principal roles of the Internal Audit Department are:

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

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

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

Corporate Governance

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 2006.

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.

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.

COMPOSITION OF THE BOARD

The Board currently has seven members, comprising two executive Directors and five non-executive Directors. Three of the Directors are independent Directors, which is in excess of the listing requirement of one third. Together, the Directors bring characteristics which allow a mix of qualifications, skills and experience which is necessary for the successful direction of the Group. A brief profile of each Director is presented on pages 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.

Corporate Governance

COMPOSITION OF THE BOARD (cont'd.)

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
Nomination Committee	1 meeting
Remuneration Committee	2 meetings

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

Name of Director	Status of Directorship	Independent	Attendance of meetings
Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Non-executive Chairman	No	All 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	All 5 meetings
Tuan Hj. Johari Muhamad Abbas	Non-executive Director	Yes	4 of 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	4 of 5 meetings
Y. Bhg. Dato' Ghazali Mohd Ali	Executive Director	No	Not applicable

INFORMATION FOR THE BOARD

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

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

Corporate Governance

DIRECTORS' TRAINING

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. The Directors will continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with paragraph 15.09 of Bursa Securities Listing Requirements. During the year, all the Directors have attended various accredited courses and seminars to further enhance their skill and knowledge.

RE-ELECTION OF DIRECTORS

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

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

BOARD COMMITTEES

Audit Committee

The 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 14 and 17 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 2006 are as follows:

	Non-executive RM'000	Executive RM'000	Total RM'000
Directors' fees	300	65	365
Meetings allowances	22	—	22
Salaries, bonuses & allowances	60	1,301	1,361
Employees provident fund contribution	—	158	158
Benefits-in-kind	44	91	135
Total	**426**	**1,615**	**2,041**

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

Number of Directors	Non-executive	Executive
Up to RM50,000	2	
From RM50,001 to RM100,000	2	
From RM200,001 to RM250,000	1	
From RM1,600,001 to RM1,650,000		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 to provide corporate, financial and non-financial information. The Group Managing Director and Director, Financial Services meet regularly with analysts, institutional shareholders and investors. At general meetings, the Board encourages shareholder participation and responds to their questions. Shareholders can also leave written questions for the Board to respond. The Share Registrar is available to attend to matters relating to shareholder interests.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

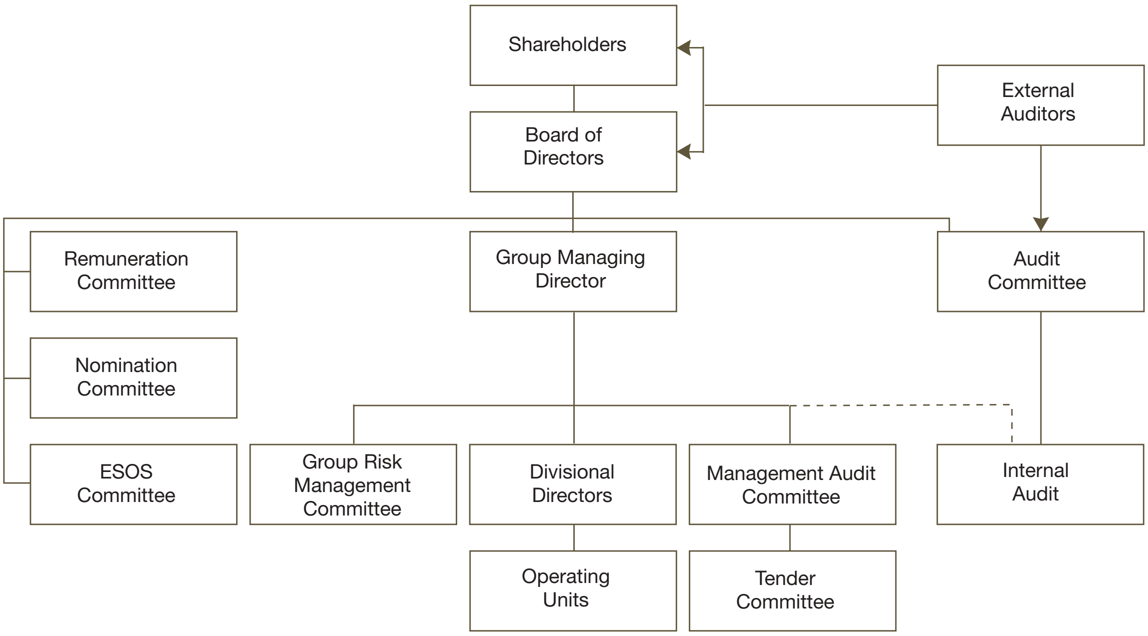
THE BOARD OF DIRECTORS OF BOUSTEAD HOLDINGS BERHAD IS PLEASED TO MAKE THE FOLLOWING STATEMENT ON INTERNAL CONTROL WHICH OUTLINES THE KEY ELEMENTS OF THE INTERNAL CONTROL SYSTEM WITHIN THE GROUP.

Statement on Internal Control

BOARD RESPONSIBILITY

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

The Group's system of internal control covers risk management and financial, operational and compliance controls. 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.

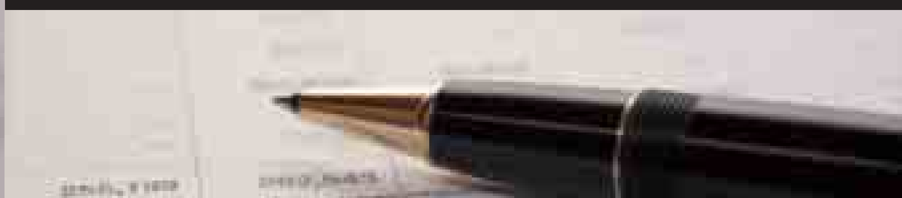
The Board and its various sub-committees have undertaken to address the need for risk management within the Group and have tasked Management with developing and maintaining the necessary systems to give effect to this responsibility.

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;



Statement on Internal Control

RISK MANAGEMENT (cont'd.)

- produced a risk profile with a significance rating to each risk as a tool for prioritising risk treatment efforts.

INTERNAL AUDIT FUNCTION

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

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

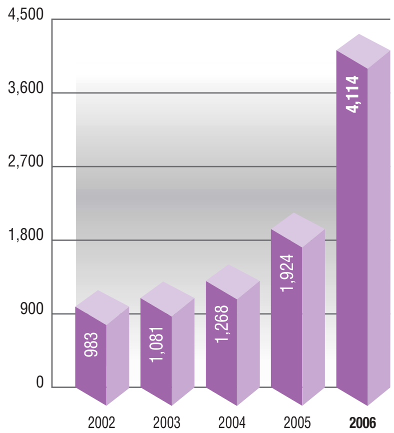
There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

This statement is made in accordance with a resolution of the Board of Directors dated 1 March 2007.

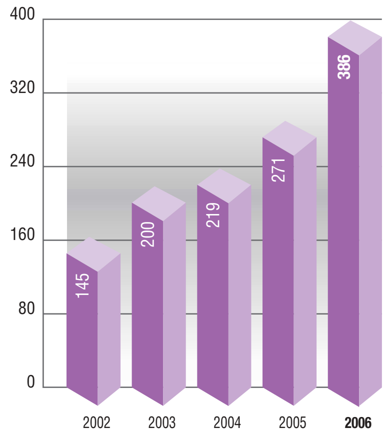
Five Year Group Financial Highlights

		2006	2005	2004	2003	2002
Financial performance						
Revenue		**4,114**	1,924	1,268	1,081	983
Profit before taxation		**386**	271	219	200	145
Profit for the year		**351**	230	176	148	109
Profit attributable to shareholders		**210**	191	119	113	69
Earnings per share	sen	**35.2**	32.5	20.9	26.0	16.9
Return on equity	%	**11.5**	10.6	6.6	6.8	4.9
Return on assets	%	**9.2**	7.7	7.5	6.7	5.2
Return on revenue	%	**7.4**	9.8	9.9	12.2	6.8
Dividends						
Dividend payment		**80**	68	67	44	17
Gross dividend per share	%	**37.0**	32.0	32.0	25.0	17.5
Dividend yield	%	**9.6**	9.0	9.5	5.9	2.7
Dividend cover	times	**2.6**	2.8	1.8	2.6	4.1

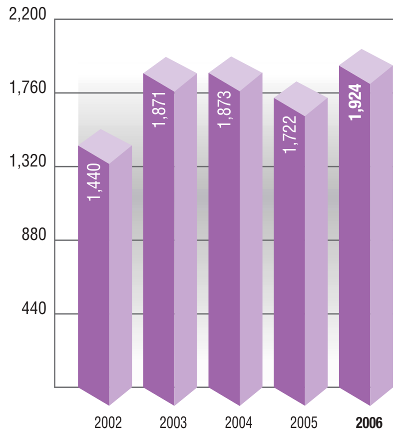
Revenue (RM Million)



Profit Before Taxation (RM Million)



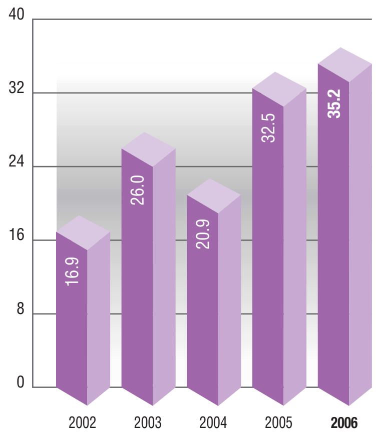
Shareholders' Equity (RM Million)



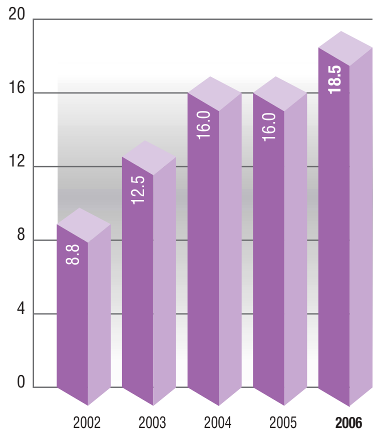
		2006	2005	2004	2003	2002
Gearing						
Borrowings		**2,301**	2,013	1,831	1,663	1,523
Gearing (borrowings: shareholders' equity)	times	**1.2**	1.2	1.0	0.9	1.1
Gearing (borrowings: total equity)	times	**0.9**	0.8	0.8	0.7	0.7
Interest cover	times	**4.3**	3.5	3.8	3.8	3.7
Other financial statistics						
Net assets per share	sen	**322**	291	323	323	396
Share price - high	sen	**195**	200	190	220	262
Share price - low	sen	**157**	167	147	129	172
Price earning ratio	times	**5.5**	5.4	8.1	5.1	8.8
Paid up share capital		**299**	296	290	290	136
Shareholders' equity		**1,924**	1,722	1,873	1,871	1,440
Total equity		**2,707**	2,405	2,404	2,336	2,213
Total assets		**5,766**	5,221	4,643	4,341	4,048

All figures are in RM Million unless otherwise stated

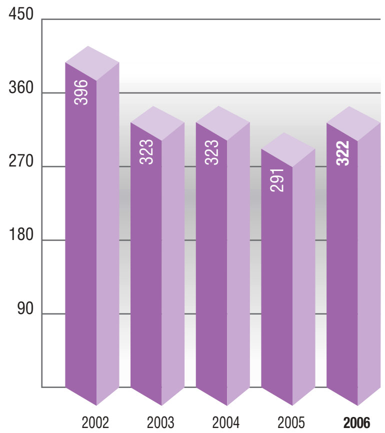
Earnings per Share (sen)



Gross Dividend per Share (sen)



Net Assets per Share (sen)



Chairman's Statement

Dear Shareholder

Delivering sustained positive growth can be premised on meeting short term objectives while keeping sight of long term goals. Boustead Holdings Berhad continues to deliver strengthened shareholder value through our unwavering focus on growing our core businesses and implementing strategic corporate exercises. On this score, it gives me great pleasure to present to you our annual report for the year ended 31 December 2006.

It is often said that change is the only constant in life. In this same context, there was a great deal of external and internal developments affecting the Group's diverse businesses throughout the course of the year.

While we are constantly proactive in addressing external developments in this fast-paced globalised economy, I am happy to note that some of the internal developments of the Group are a fruition of well thought out initiatives that will have a long-term bearing on us. To this end, I am glad to inform, resulting from the establishment of the Al-Hadharah Boustead REIT, your Group registered a significant improvement in pre-tax profit of RM386 million compared with last year's RM271 million. This also was attributed to positive operating profits from all our Divisions.

ECONOMIC LANDSCAPE

As if turning a continuing page from the previous year, 2006 started off on a backdrop of soaring oil prices. Rising up to a record level of USD78 per barrel in 2006, as compared with the high of USD70 the year before, oil prices affected all of the Group's core businesses in terms of higher cost of operations.

The bleak outlook at the beginning of the year turned out to have a silver lining as oil prices began to decrease to a low of USD60 per barrel by end 2006.

On the home front, the economic picture turned out to be remarkably bright as we progressed along the year. The initial jitters from an expected increase in interest rates subsided during the year as Bank Negara Malaysia stopped raising the Overnight Policy Rate due to the deceleration in inflationary pressures, as a result of sustained economic growth.

The expansionary fiscal Budget 2007 announced by the Government has also galvanised economic sentiments during the year under review.

Given these positive factors in the second half of 2006, which also saw a phenomenal performance of our equities market, it is no surprise that consumer sentiment is at an all time high. According to the Malaysian Institute of Economic Research, the consumer sentiment index charted 110.9 points at the end of the fourth quarter of 2006 as compared with slightly over 90 points at the beginning of the year. This indicates that consumers in Malaysia have shrugged off the hike in utilities and oil prices at the pumps, thanks to the sound fundamentals of our nation's economy.

Looking ahead, all the elements are in place for another year of growth for the country's economy. The Group has already in 2006 realised some of its strategies in delivering positively to earnings. Seeing an even more dynamic and vibrant landscape ahead, we intend to leverage on our fundamentals to deliver another good year for our shareholders.

Chairman's Statement

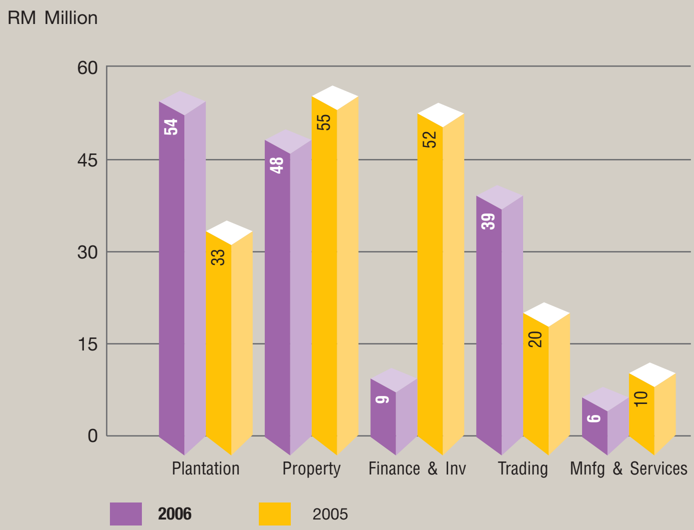
FINANCIAL PERFORMANCE

The Plantation and Trading Divisions took centre stage in terms of delivering improved profitability while the Finance & Investment, Property and Manufacturing & Services Divisions recorded satisfactory results.

Profit after tax was RM351 million which signified an increase of 52% when compared with the RM230 million achieved in 2005. Our increase in post tax profit is derived from the disposal of plantation assets, further augmented by the low tax rate of 9%.

Profit attributable to shareholders was RM210 million compared with RM191 million last year while earnings per share ended at 35 sen (2005: 32 sen) and net assets per share was RM3.22 (2005: RM2.91).

Shareholders' funds stood at RM1.9 billion for the year ended December 31, 2006 as compared with RM1.7 billion a year ago.



Operating profit contributed by Division

AL-HADHARAH BOUSTEAD REIT

The key highlight for us was our role as the core promoter of the Al-Hadharah Boustead REIT, the first Islamic plantation real estate investment trust.

I am glad to inform, the Al-Hadharah Boustead REIT scored a string of firsts, in particular the distinction of being the first Islamic plantation REIT of its kind, the first locally listed REIT with zero gearing and one of the highest over subscription rate seen for an issuance of this nature.

Listed on the Main Board of Bursa Malaysia on 8 February 2007, this REIT involved the sale and leaseback of the Group's plantation assets and effectively unlocked the assets' inherent value, which allowed us to maintain our position in the dynamic plantation sector.

Our successful undertaking of this REIT clearly indicates that we are able and prepared to explore and execute innovative financial solutions that could enhance shareholder value in the long term.

DIVIDEND

In line with the Group's commitment towards achieving a balance between long-term capital growth and immediate returns as well as with our positive performance this year, the Board is recommending a final dividend payment of 12%.

As a result of the outstanding profit from the REIT exercise, we are also proposing a bonus dividend of 5%, bringing total dividend for the year to 37%. This will translate into a handsome yield of 9.6%, demonstrating our commitment to provide good returns to shareholders.

HUMAN CAPITAL DEVELOPMENT

As a diversified GLC, Boustead has the responsibility of ensuring that our employees have the right skills-set and mind-set to not only contribute positively to the Group's continued excellent performance but also to our nation's human capital capability.

In view of this, we remain committed towards providing various training initiatives to all levels within the Group. Be it leadership skills training and decision making seminars for our managers or skills workshops and knowledge enhancement programmes for our directors and employees. It is our intention to generate a cohesive, productive and self-motivated workforce.

Key performance indicators were set in place for our employees which resulted in improved performance and productivity. This clearly reflects the positive impact of our ongoing efforts which will certainly be continued. We believe that with quality human capital, the Group will be able to stay focused and dynamic.

Chairman's Statement

CORPORATE SOCIAL RESPONSIBILITY

The Boustead Group holds firm that being committed to Corporate Social Responsibility (CSR) means to be able to constantly deliver enhanced value to our shareholders, in terms of long term improvement in capital, as well as high dividend yields.

In addition, given that our major shareholder is the country's Armed Forces via Lembaga Tabung Angkatan Tentera (LTAT), it is natural for the Group to focus its CSR initiatives in tandem with LTAT's expectations in terms of training, employment opportunities and other social benefits for our armed forces personnel.

On this score, 2006 saw us continuing our support for Yayasan Warisan Perajurit which was established with the objective of raising funds to support various programmes for the children of members of the armed forces. Much of this has been in the form of education bursaries and todate, I am pleased to inform that over a five year period, scholarships have been awarded to more than 20,000 children.

Scholarships have also been allocated to officials of serving armed forces personnel that allow them to further their education at the University of Nottingham Malaysia Campus. In addition, discounts of 20% are also provided to Boustead Group personnel and their children to undertake further studies at the University.

Moving forward, the Group aims to continue to explore new avenues that are in line with our CSR direction across all Divisions which will benefit Malaysians.

OUTLOOK AND PROSPECTS

Barring unforeseen circumstances, economic indicators clearly point to bright prospects ahead for the country. The equities market is at an all time high at the end of 2006 and geared to reach even higher levels. Foreign investments continue to be on an upward trend, unemployment levels are falling and as importantly, consumer confidence is also at an all time high.

There exist external concerns including an economic slowdown in Europe and the United States which may impact exports from our country. Nevertheless, Malaysia's strong economic fundamentals buoyed by the Government's proactive and growth focused economic policies are expected to score the country another positive growth year in 2007.

ACKNOWLEDGEMENT

Boustead Holdings Berhad's growth has indeed been a collective effort. On this score and on behalf of the Group, I would like to express my sincere appreciation to the management team and our employees for their professionalism and dedication. My gratitude also to our shareholders, financiers, business partners, consultants and relevant approving authorities who have cooperated with the Group to achieve our goals.

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

1 March 2007

DEAR SHAREHOLDER

To surmise that it has been an eventful year would certainly be an understatement. Our guiding principles of unlocking value for our assets and improving shareholder value has been our passion.

Chief Executive's Review

Each year our challenges neither reduce nor diminish but with these challenges come opportunities. I am happy to note your Group has not only been able to embrace these challenges, but have been able to convert them into opportunities that have had a material impact on our profitability and financial health.

FINANCIAL PERFORMANCE

We achieved a sterling year with a Group pre-tax profit of RM386 million compared with last year's profit of RM271 million. This represents an increase of 42% on a year-on-year basis incorporating both operating profit and our landmark exercise involving the Al-Hadharah Boustead REIT which contributed a gain of RM249 million.

Profit from operations amounted to RM199 million compared with last year's RM164, representing a 21% increase. This was the result of impressive contributions by our Plantation and Trading Divisions.

Our gearing level at year end stood at 1.20, a slight increase from last year's 1.17. This increase was due to our investing activities, mainly our acquisition of Boustead Naval Shipyard. Nevertheless, gearing reduced in early 2007 as a result of cash inflow of RM220 million derived from our REIT.

The Government has initiated a transformation programme for Government-Linked Companies (GLC) in 2006 with a view towards raising the bar on how we perform in corporate Malaysia. This exercise which is laudable and most needed, demanded from each GLC a set of key performance indicators (KPI). I am glad to note we have outperformed our KPIs. Return on Equity was 11.5% and Return on Asset was 9.2% versus the targets set of 7.9% and 7.6% respectively, while dividend payout will be 37% versus the target set of 32%.

The Plantation Division remains our mainstay as far as contributions to Group profitability is concerned and this will be the case for years to come. The surge in palm oil prices was all the more evident as CPO averaged at RM1,464 per MT, as compared to previous year's at RM1,375 per MT.

Chief Executive's Review

I am pleased to inform, that in addition to improving our profitability, the Plantation Division has scored a first for the Group with the inking of a Letter of Intent with the Government of Denmark to sell carbon credits, a by-product of our Biotherm Palmass project.

Our Property Division remains a strong contributor to our results and with the inaugural profitability recorded by the Curve, we are bullish the retail sector holds much potential. Across the board, we expect this Division to improve on its contribution as you will note in my divisional review.

The Finance and Investment Division also chalked up positive profit by providing comprehensive financial services solutions which mitigated the higher interest costs incurred on new investments made at Boustead Holdings level.

Meanwhile, the Trading Division charted a remarkable performance in 2006, becoming the third strongest contributor to our earnings. This was primarily due to contributions from Boustead Petroleum Marketing Sdn Bhd.

AL-HADHARAH BOUSTEAD REIT

The Al-Hadharah Boustead REIT has become synonymous with your Group's ability to break new ground in terms of corporate development. Through a well thought out programme, we have enabled investors to enjoy the upside from the dynamic plantation sector. We are glad to have contributed a significant milestone to Malaysia's capital market.

The REIT involves the sale and leaseback of a selection of the Group's plantation assets and I am pleased to inform that the disposal of these assets received a consideration of RM400 million which effectively unlocked its inherent value, while generating a profit of RM249 million.

The Al-Hadharah Boustead REIT has been structured to be able to distribute 98% of its earnings which is expected to be paid out for the first three financial years and projects to declare a dividend distribution of 7.38 sen.

What makes the Al-Hadharah Boustead REIT unique is the annual profit sharing of its net incremental income based on a formula pegged to crude palm oil and fresh fruit bunches prices. This profit sharing arrangement is the first of its kind in the REIT market and will benefit both Boustead and the unit holders.

With our well established and proven track record in the plantation sector, the REIT will certainly provide investors an attractive investment opportunity, spearheaded by an organisation that has strong operating cashflows complemented with a professional management team.

Your Group as an investor in the REIT sees this as an attractive investment opportunity. Encouraged by the exceptional results from our REIT exercise, we are proposing a bonus dividend of 5% which further reinforces our commitment of delivering returns to shareholders.

OUTLOOK

We ended 2006 on a brighter note, than when we started it and solely for this reason we enter 2007 rejuvenated with new prospects and healthier profit contribution Group wide.

Our Plantation Division is concerted in its approach to ensure its profitability. Aided by external factors such as the mandatory labelling for food containing trans-fatty acids and the European Union's aversion to genetically modified organisms as well as the expected El Nino, we are bullish CPO prices will trade in the range of RM1,800 to RM2,000.

Our Property Division is also expected to improve its contribution to the Group as our developments are likely to increase in value and yield. This will be compounded by the fact that consumer confidence levels are expected to be in tandem with the Government's efforts to improve the nation's economy.

As for the Trading Division, we are ready for the growth we have invested into this Division, specifically in the downstream petroleum retail business. The Finance and Investment, along with Manufacturing and Services Divisions are expected to have a sizeable impact, particularly from the perspective of our investments in the maritime, pharmaceutical and education sectors.

We are committed to continue our reassessment efforts when and where necessary to improve profitability from each of our operating units. I assure you, our valued shareholder, it is in our best interest to drive efficiency and performance in order to derive yield, profitability and shareholder value.

The last few years have seen these improvements and in the coming year we do not intend to rest on our laurels. We will continue to deliver.

To this end, it gives me great pleasure to present to you our review of operations by Divisions. I trust you will find this detailed review informative and enlightening.

TAN SRI DATO' LODIN WOK KAMARUDDIN
Group Managing Director

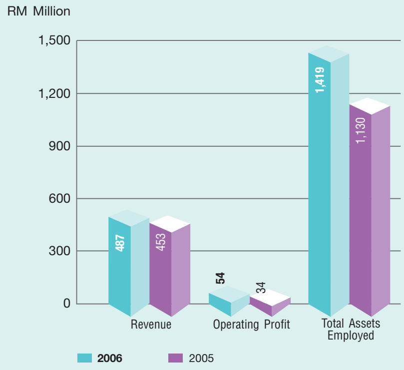
1 March 2007

PLANTATION
DIVISION

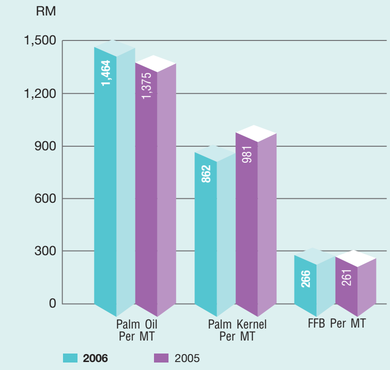
OVERVIEW

This Division which is a substantial contributor to your Group, registered a noteworthy increase in operating profit of RM54 million compared with last year's RM33 million. The jump in profit was despite a slow start with CPO prices locked in a tight trading range of between RM1,400 – RM1,500 per MT during the first half of the year. However, the second half proved more bullish with CPO prices reaching a peak of RM2,030 per MT in December. The primary consideration for this positive turnaround was due to surging mineral oil prices and the sharp rise in demand from the world's rapidly growing biodiesel sector.

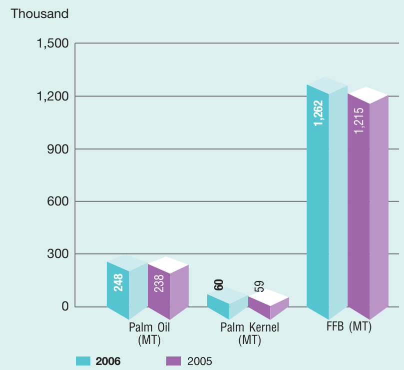
Financial Highlights



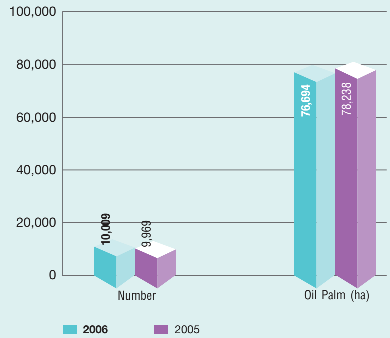
Average Prices Realised



Production



Employees **Planted Area**



New Sugut Mill, Sabah

MARKET REVIEW

The strong soybean harvest from South America and huge stockpile of palm oil made the palm oil market relatively weak in the first half of the year. There were also speculations that the hype on biodiesel would gradually disappear following the fall of mineral oil prices from USD78 to USD57. However, this downturn was not mirrored by the CPO market which instead sustained its upward trend. The take-up for CPO was mainly derived from legislated demand, as Governments worldwide made a commitment to reduce emissions of greenhouse gases.

The market for palm oil was also fuelled by the mandatory labelling of items containing trans-fatty acids within the food sector. This contributed to a 19% increase in palm oil exports to the United States. The huge appetite for palm oil from major economies such as China and India had a positive impact on CPO prices. Coupled with the abolishment of import quota earlier in the year in China, palm oil exports increased by 21% to hit a high of 3.58 million MT.

The Division recorded an average price of RM1,464 per MT which was an improvement of 6% from last year's price of RM1,375 per MT. Our gross CPO selling price of RM1,514 per MT was also above the industry average of RM1,511 per MT.

ESTATE OPERATIONS

Total landbank under our management, inclusive of those leased back under the Asset Backed Securitisation and the Al-Hadharah Boustead REIT exercises, stood at 103,139 hectares. This is a reduction from last year by 3,008 hectares, mainly due to the conversion of Bingin Rupit 3 into a Plasma Scheme.

Total area under oil palm cultivation was 76,694 hectares, a reduction of 1,544 hectares over last year.

Our production of fresh fruit bunches (FFB) at 1,262,000 MT increased by 4% from last year's production of 1,215,000 MT. This was despite a reduced hectarage under harvest following the disposal of Ladang Silasuka and Ladang Sungai Manar in late 2005, coupled with the conversion of Bingin Rupit 3 into a Plasma Scheme.

The prime areas provided an average yield of 19.8 MT per hectare as opposed to 22 MT last year caused by the cyclical downtrend of cropping pattern on our Sabah properties and lower yield from areas newly classified into prime mature. However, overall yield improved to 17.8 MT per hectare against the average yield of 16.9 MT in 2005.

Costs of manuring and transportation were at manageable levels despite the hike in petroleum prices and reduction in subsidies. However, production cost for the year of RM182 per MT of FFB experienced a slight increase of RM4 over last year, due to increase in wages caused by the higher CPO price zone taking effect.

The successful implementation of Boustead-Applied Agriculture Research Management Information System (BAARMIS) assisted in developing the Yield Improvement Programme. This system combines Geographical Information System and Global Positioning System technology to produce vital information for managers to make fast and precise decisions. The application for the patents of this technology is also in place and more importantly, the launching of BAARMIS marks the completion of the Yield Improvement Programme.

Our investment in Indonesia displayed improvements due to the better socio-political environment which enabled us to supply the required inputs to enhance agronomic husbandry. Consistent upgrades over the years, including the construction of a palm oil mill, improved housing and amenities, coupled with additional roads, finally bore positive results.

New Dendymarker Mill, Indonesia

As one of the leading GLCs and key players in the plantation industry, we also took the opportunity to illustrate our role as a custodian towards the environment through our booklet themed 'Towards Sustainable Agriculture'. This is aligned with our efforts in preserving our nation's environment for our future generations.

MILL OPERATIONS

The year was marked with significant developments for this unit with two mills coming on stream. The first was a 40 tonne per hour (TPH) mill at Sugut, Sabah which commenced operations in March while the next mill with a throughput capacity of 20 TPH in PT Dendymarker Indahlestari, Indonesia, featured a new design to achieve better productivity. The addition of these two mills brings the tally to a total of eleven mills in operation.

Our mills processed a total of 1.23 million MT of FFB during the year and achieved an average oil and kernel extraction rate of 20.1% and 4.85% respectively. Cost of milling excluding dispatch and depreciation was RM21.63 (2005: 19.52) per MT.

DEVELOPMENTS

A notable highlight for the year was the completion of the design and development of our own 'zero-waste zero-discharge' plant known as the Boustead Biotherm Palmass Process. This unique, automated and mechanised composting process was designed to use palm oil mill effluent and empty FFB to produce organic fertiliser.

During the year, the planting of clonal material for the first phase of Ladang Boustead Sedili was completed. These materials produced by our associate company, Applied Agricultural Resources Sdn Bhd (AAR) is expected to yield 20% more oil than DXP seedling materials.

We completed the construction of the AAR Tissue Culture Laboratory, reputedly the world's largest oil palm tissue culture laboratory, producing approximately one million clonal ramets annually.

AAR collaborated with the University of Nottingham Malaysia and the Malaysian Palm Oil Board for the purpose of establishing an advanced biotechnology laboratory by 2007 to complement its plant breeding and tissue culture programmes. With this laboratory, AAR intends to pursue DNA fingerprinting of its proprietary seeds and clones in order to safeguard their identity, integrity and quality.

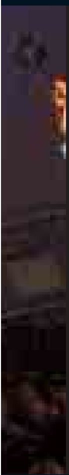
We have entered into a joint venture agreement with CTI Biofuels Malaysia LLC (CTI) with the objective of constructing a processing plant for the production of oil palm-based biodiesel fuel. This joint-venture will have available to them the technology developed by CTI in collaboration with Carnegie Mellon University.

The industry will be faced with seasonal challenges for 2007, particularly due to shortage of labour, short-term price differentials and uncertainties in weather patterns. Production costs will also be affected by environmental and traceability requirements. Despite these challenges, we will place emphasis on achieving continuous operational efficiency and effectiveness.

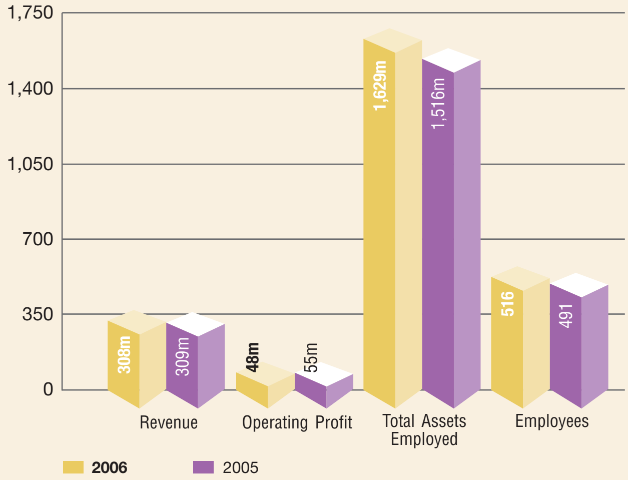
PROPERTY
DIVISION

Malaysia's property sector continued to experience increasing challenges and as a direct effect, this Division by virtue of the operating environment, compounded by the rising cost of materials, registered a profit of RM48 million as compared with RM55 million last year.

On a positive note, the performance of our flagship retail development, the Curve, made a turnaround from a loss, clearly indicating its growing potential as a valuable profit contributor.



Financial Highlights



PROPERTY DEVELOPMENT

Property development which is spearheaded by our Mutiara Home brands in Selangor and Johor, registered a profit of RM47 million as opposed to RM75 million in 2005 due to lower progress billings for residential and corporate land sales. Despite the decline, we are confident that our strategic plans which have already been set in motion, will bear better results over the years.

This is exemplified by the growing recognition of Mutiara Damansara as a fully integrated township, more so with the completion of all its commercial and retail components.

In reflecting the coming of age of this township, the land value for the residential portion was recorded at approximately RM200 per square feet at the end of 2006 compared with RM90 per square feet five years ago. This remarkable appreciation is testament to our vision to enhance the value of our properties.

Our sale of the Surian Condominiums has exceeded 97% while the bungalow houses launched to date recorded a 100% take-up rate. In terms of commercial properties, the value of our corporate lots has risen significantly and tripled in value since 2000 due to the excellent infrastructure and accessibility.

Our Mutiara Rini project in Johor has also received encouraging response from homebuyers and investors. During the year, 192 one-and-a-half storey link houses were launched, immediately garnering strong interest due to its optimum pricing. Additional units of double storey link houses launched also commenced construction in 2006. The presence of a Chinese school, in addition to national type primary and secondary schools and a 62-acre urban forest further increased demand for units in the township.

PROPERTY INVESTMENT

The Curve made an impressive accomplishment by achieving a modest profit from a loss of RM14 million in 2005. This was largely attributed to the increased visitorship recorded at 16.4 million for the year with December being the busiest month at 2.2 million.

This shopping and dining haven was officially opened by the Deputy Prime Minister of Malaysia, YAB Dato' Seri Mohd Najib Bin Tun Hj. Abdul Razak. In addition to its unique pedestrian food street, the Curve also houses a string of well-known and established retail and restaurant brands. The opening of Cineleisure Damansara in May adds to our impressive list of achievements as this entertainment centre contains a modern 10-screen cineplex and a 24-lane bowling alley that attracts a steady stream of visitors. Meanwhile, its district cooling plant at the Curve which is owned and managed by our subsidiary Boustead Linear Corporation Sdn Bhd is now fully operational and supplying to all its customers namely the Curve, Royale Bintang Damansara and Cineleisure.

The Division's earnings were bolstered by the performance of our Royale Bintang Hotels. Royale Bintang Damansara and Royale Bintang Kuala Lumpur charted impressive occupancy rates of over 80% with higher average room rates. With constant upgrades to our hotel facilities, we are confident that our hotels will attract more visitors as we usher in Visit Malaysia Year 2007. As for Boustead Weld Quay Penang, its construction of a 400 room hotel on the island is expected to commence by end 2007.

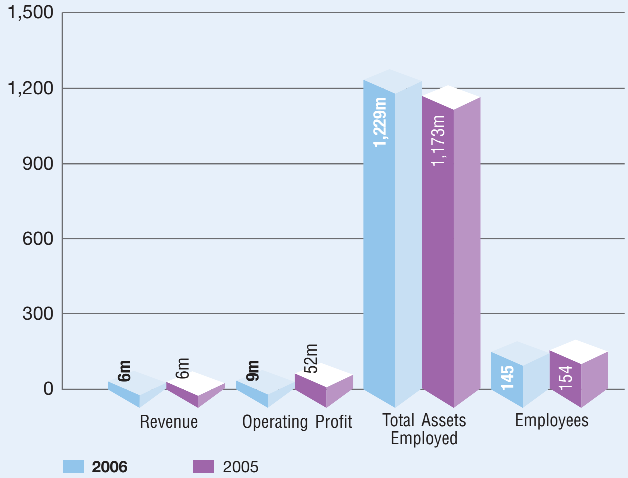
Occupancy rates at our stable of office and warehouse properties including Wisma Boustead, Menara Boustead and Menara Affin remain strong at over 90%, contributing positively to the Division's profit.

FINANCE & INVESTMENT
DIVISION

Our **Finance & Investment Division** is responsible for two core areas for the Boustead Group, namely financial services spearheaded by Affin Holdings Berhad and strategic investments in companies that will help to enhance shareholder value.

Various investing activities undertaken by the Group in 2006 impacted to some extent our financial performance for the year. The Division recorded a reduced pre-tax profit of RM9 million compared with last year's RM52 million. This was partly due to losses registered at Holdings level primarily from interest costs incurred from our investments in Boustead Naval Shipyard and impairment of assets of our quoted investment.

Financial Highlights



The key contributor to the Division, **Affin Holdings Berhad**, closed the year with a pre-tax profit of RM314 million on the back of a turnover of RM1.95 billion. This was due to the positive contribution from Affin Bank, which recorded a pre-tax profit of RM272 million.

Affin Bank made significant progress in loan recovery and is on track to reduce its non-performing loans further thanks to its “Second Chance” programme launched in August 2006. In addition, the bank marked a significant milestone in its thrust into the Islamic finance sector with the start of operations of its subsidiary, Affin Islamic Bank. Offering a complete range of Islamic banking products and services encompassing the areas of enterprise and consumer banking, Affin Islamic Bank successfully opened its first branch in Petaling Jaya, Selangor.

Affin Investment Bank recorded a higher pre-tax profit of RM81 million due to higher non-interest income of RM49 million, largely from the unrealised gains on held-for-trading securities.

Affin Discount recorded a pre-tax loss of RM18 million from impairment of assets as it surrendered its discount house licence to Bank Negara Malaysia and transferred all assets and liabilities to Affin Investment Bank.

Affin Fund Management reported a higher pre-tax profit of RM3.4 million as compared to a profit of RM216,000 last year. This was mainly due to an increase of sales of unit trust and higher management fees.

Affin Moneybrokers reported a profit of RM1.6 million while Affin Securities was able to capitalise on a resurgent Bursa Malaysia to record a higher profit of RM2.4 million. Affin Insurance Brokers recorded a profit of RM215,000 despite a drop in net brokerage income and net interest income.

AXA AFFIN Life Insurance Berhad, a joint venture between AXA Asia Pacific Holdings Ltd and Affin Holdings Berhad commenced operations of its life insurance business activity in the second half of 2006, following the successful acquisition of the life insurance business of Tahan Malaysia Berhad. AXA Affin General Insurance Berhad recorded a pre-tax profit of RM42.5 million due to higher earned premium and investment income.

Royal & Sun Alliance Insurance (M) Berhad closed the year with a pre-tax profit of RM49 million. Gross premium grew by 25% to RM278 million, and investment profit improved by 13%. In addition, operating ratios were capped at 85% and solvency margins remained strong at 215%.

Perimekar Sdn Bhd, an associate company of the Group engaged in the marketing, upgrading, maintenance and related services for the Malaysian maritime defence industry, contributed positively to our earnings due to a strong revenue stream derived from contract billings. While **Boustead Credit Sdn Bhd** remained profitable due to strict credit control policies designed to keep doubtful debts at manageable levels.

The Group raised its stake in **Boustead Naval Shipyard Sdn Bhd (BNS)** from 31% to 41% at the end of December 2006. Since our takeover in 2005, BNS successfully handed over the first two patrol vessels to Tentera Laut DiRaja Malaysia in 2006. Delivery for the remaining four new generation patrol vessels is scheduled in three years.

Patrol vessel undergoing sea trial

BNS was awarded a RM41 million contract by Tanjung Kapal Services Sdn Bhd, a wholly-owned subsidiary of Tanjung Offshore Bhd, for the engineering, construction, testing and delivery of an anchor handling tug supply vessel. This reflects the growing confidence in our ability to manage and deliver on our shipbuilding capabilities.

PSC Industries Berhad is currently undergoing a restructuring scheme and in tandem with this, we are seeking shareholders' approval. We expect this investment to be a challenging but viable proposition in terms of growth and improving shareholder value.

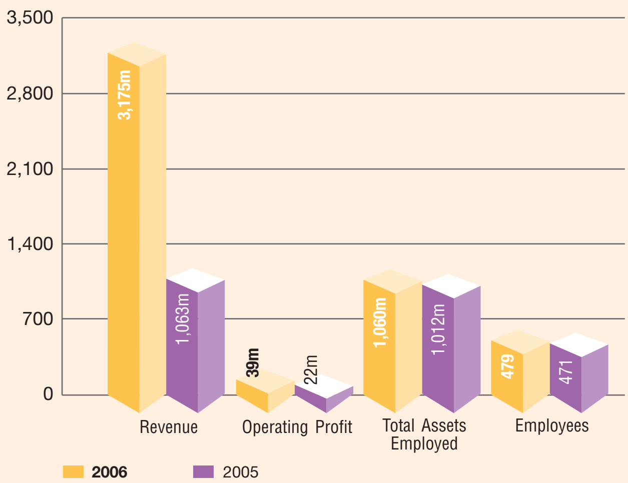
TRADING
DIVISION

Bolstered by the performance of its downstream petroleum business, the Trading Division recorded a pre-tax profit of RM39 million for 2006, representing an impressive increase of 94% over the previous year.

Boustead Petroleum Marketing Sdn Bhd, which manages the BHPetrol brand of service stations, recorded a gross revenue of RM2.66 billion, which translated into a significant contribution to the Division.

This positive financial result was a reflection of our effective cost management policies, disciplined capital expansion and a continued focus towards achieving volume growth via strategic and concerted marketing initiatives since the takeover. Gross revenue recorded was a 11% jump compared with the previous year.

Financial Highlights



One of the most significant developments for BHPetrol in 2006 was the successful completion of the re-branding exercise of all our 245 service stations nationwide. We also successfully launched our new brand of fuel, *Infiniti*, during the year. *Infiniti* is developed with revolutionary additives that enhances fuel economy, increases acceleration power as well as reduces emission, which is better for the environment.

During the year we also launched a new range of lubricant products carrying the *SynGard* label. The flagship SynGard 8000 is a high-performance, fully synthetic, multi-grade engine oil developed with formulation exceeding the latest American Petroleum Institute specifications.

In its drive to improve its position in the retail petroleum sector, BHPetrol invested RM50 million in 2006 for the acquisition and construction of new service stations in high growth areas as well as along expressways. By the end of 2006, nine new service stations were added to the retail network.

Boustead Global Trade Network Sdn Bhd recorded an improved performance in 2006 with sales volume growth of 7% over the previous year. Its primary agency, Sara Lee, continues to register healthy growth in trading income. Meanwhile, a 200% increase in commission income from the insurance division contributed to its positive overall earnings.

It was a lacklustre year for **Riche Monde Sdn Bhd**, made more challenging with the mounting cost of goods, exchange rate fluctuations and high tax duties. The direct impact of these factors resulted in the reduction in profit contribution.

Boustead Engineering Sdn Bhd had another good year with strengthened earnings from the project department as a result of the completion of the baggage handling system at the new Low Cost Carrier Terminal in Sepang. The chemicals department performed well in terms of profit and sales.

The tough market environment that **Kao Malaysia Sdn Bhd** operates in resulted in loss of market share. With a knock on effect of shrinking margins and a reduced turnover, it suffered a loss for the year.

95 Hospital Angkatan Tentera under construction.

Boustead Emastulin Sdn Bhd saw sales of its BMC trucks being hampered due to extensive price competition. Moving forward, it plans to develop further its business with Bell Helicopters which is expected to create a new revenue stream.

Drew Ameroid Sdn Bhd had a trying year caused by the increase in product cost and the competitive water treatment chemical market. In spite of this, the joint venture with US based Ashland group led to the introduction of innovative products and equipment which helped to grow its market share.

Despite the extremely competitive construction sector, **Boustead Building Materials Sdn Bhd** managed to register an increase of more than 50% in sales volume. This boost in revenue was due to the contract for the construction of a military hospital in Kuala Lumpur, 95 Hospital Angkatan Tentera. It was also appointed as the project manager to develop a new image for the BHPetrol stations across Malaysia. The move to diversify into construction activities has had a positive bearing in terms of expanding the income stream of this company.

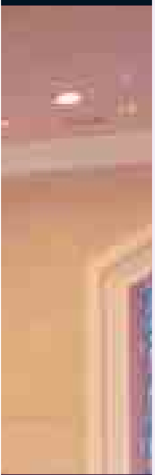
MANUFACTURING & SERVICES
DIVISION

Despite it being a challenging year, with higher operational costs as a result of external price revisions in fuel and utility charges, the Manufacturing & Services Division remained profitable. Most of our companies in this Division performed satisfactorily. However, the lossess incurred by our newly acquired pharmaceutical company impacted the performance of the Division, registering a pre-tax profit of RM6 million (2005: RM10 million).

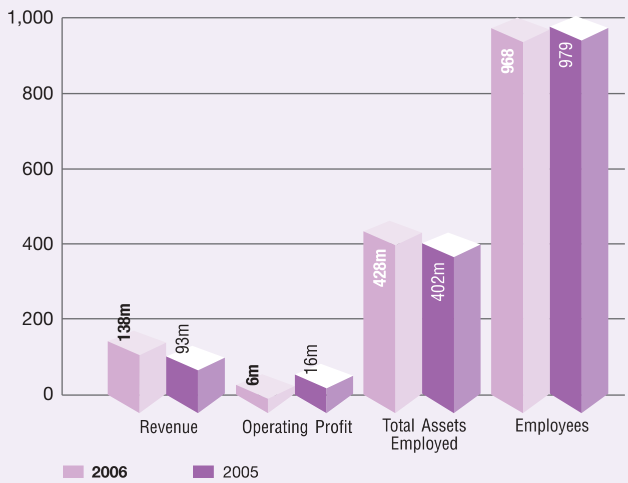
MANUFACTURING

UAC Berhad is the top contributor to the Division, closing the year with a pre-tax profit of RM41 million on the back of a turnover of RM183 million.

While housing and construction activities were relatively moderate during the year, UAC leveraged on its pole position as the leading manufacturer of cellulose fibre cement boards to tap opportunities in the international market while defending its market share domestically.



Financial Highlights



The expansionary 2007 Budget as well as the expected knock-on effect of the Ninth Malaysia Plan will indeed create positive prospects for UAC in the years to come. Moreover, the well established UCO brand of building materials is enhancing UAC's presence overseas.

Cadbury Confectionery Malaysia Sdn Bhd, the largest confectionery player in Malaysia, registered an increase of 39% in pre-tax profit. Among the factors that contributed to the encouraging results was the launch of Cadbury Bytes, an innovative cereal pillow with a delicious Cadbury chocolate filling. The introduction of new flavours to the brand's core 200g moulded blocks and 3.5g Neaps, drove year-on-year growth to more than 15% while Choclair, our leading candy brand, saw a 20% growth.

The youngest addition to this Division, **Idaman Pharma Manufacturing Sdn Bhd**, provided us the in-road into tapping the vast prospects of the pharmaceutical sector. Subsequent to the takeover and in order to conform to good manufacturing practices, concerted efforts were undertaken to upgrade the manufacturing facility. However, during this period, contractual obligations had to be fulfilled and higher costs were incurred when the manufacturing was outsourced. Moving forward, we expect this investment to be profitable as a three year supply contract worth RM90 million was secured during the period under review.

Boustead Sissons Paints Sdn Bhd experienced a challenging year due to the closure of our plant in China and expensive raw material costs caused by escalating petroleum prices. Despite these setbacks, we achieved an increase of 25% in sales turnover.

SERVICES

Boustead Shipping Agencies Sdn Bhd achieved an increase of 25% in pre-tax profit over the previous year due to its higher forwarding and warehousing businesses. Liner agency business also posted a modest increase in revenue due to improved lifting volume to the Middle East and the Indian Subcontinent ports.

Boustead Emasewa Sdn Bhd consistently defended its market share in a highly competitive environment in the car rental sector. With Visit Malaysia Year 2007, prospects are indeed positive.

Boustead Travels Services Sdn Bhd turned in one of its best performances to date despite being in a highly intense competitive sector. It achieved a remarkable 96% increase in pre-tax profit over last year. Rising taxes and surcharge levied by airlines impacted air travel. This was mitigated by the introduction of agency collection fees, coupled with flown incentives received. In addition, revenue from travel arrangements made in conjunction with regional sporting events positively impacted our earnings.

Boustead Information Technology Sdn Bhd successfully rolled out the home grown Plantation Information Management and Control System in Malaysia. The application is currently undergoing a parallel run in Indonesia and is slated to run live in early 2007. In addition, a workgroup solution on the Linux platform was also developed to enable online sharing of knowledge and files. These developments will contribute to the Boustead Group's capability to offer cutting edge technologies for the plantation sector regionally.


UK's Deputy PM at the campus

University of Nottingham Malaysia Campus by night

Our investment in **Asia Smart Cards Centre Sdn Bhd** continued to provide good returns, marked by the beginning of our EMV credit card personalisation exercise for a number of financial institutions. We capped the year with more than three million cards personalised, reflecting the healthy growth in ATM user population.

EDUCATION

The University of Nottingham Malaysia Campus, owned and operated by **University of Nottingham in Malaysia Sdn Bhd**, solidified its reputation as one of Malaysia's premium education institutions. 2006 saw the second phase of the University's development in Semenyih being completed which included two additional academic buildings, an Islamic Centre and an expanded sports facility.

The University's KL Teaching facility in Chulan Tower was also completed during the year, offering broad ranging part-time executive Masters level programmes.

With enhanced offerings, the student population of the University grew from 1,400 in the fourth quarter of 2005 to over 2,000 in the corresponding period. These factors played a role in reducing this year's losses and the Group foresees the University becoming profitable next year.


75,533
(2,176)
1,331
10,432
(3,742)
(38,430)
(861)
2,272


255,199
262,543
470,493

FINANCIAL STATEMENTS

Directors' Report

The Directors have pleasure in presenting their report and the audited financial statements for the Group and the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

Boustead Holdings Berhad was incorporated in Malaysia in 1960 and its principal activities are investment holding and cultivation of oil palm. The Group currently comprises more than seventy Subsidiary and Associated Companies, the principal activities of which are described on pages 140 to 143.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit attributable to:		
Shareholders of the Company	210,184	78,741
Minority interests	141,214	—
Net profit for the year	351,398	78,741

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 5 to the financial statements and the changes in accounting policy as disclosed in Note 2 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 2006, amounting to RM25,717,000 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 9 October 2006, amounting to RM21,538,000 in respect of the financial year under review; and

DIVIDENDS (cont'd.)

(c) a second interim dividend of 10.0% per share less tax paid on 18 January 2007, amounting to RM21,837,000 in respect of the financial year under review.

The Directors have proposed a final dividend and a bonus dividend of 12% and 5% per share less tax, amounting to RM37,123,000 making the total for the year 37% per share less tax, amounting to RM80,498,000.

These financial statements do not reflect the final dividend and bonus dividend which will be accounted for in the shareholders' equity as an appropriation of retained profit in the year ending 31 December 2007.

DIRECTORS

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

Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin
Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din
Tuan Hj. Johari Muhamad Abbas
Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad
Y. Bhg. Datuk Azzat Kamaludin
Y. Bhg. Dato' Ghazali Mohd Ali (appointed on 1 March 2007)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 5 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 40 to the financial statements. Further, Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin had on 22 February 2007 signed an agreement with Lembaga Tabung Angkatan Tentera (LTAT) to purchase 29,912,699 Boustead Holdings Berhad shares (equivalent to 5%) which are part of the shares approved by LTAT's Investment Panel on 14 June 2004 and the Board of Directors of LTAT on 28 June 2004 to be sold via placement at the price of RM1.70 per share. The purchase of the shares shall be made by Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin within a period of two years from 22 February 2007.

Directors' Report

DIRECTORS' INTERESTS

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

	At 1/1/06	Acquired	Sold	At 31/12/06
Boustead Holdings Berhad				
Shares of RM0.50 each				
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	10,092,800	400,000	—	10,492,800
Tuan Hj. Johari Muhamad Abbas	66,666	—	—	66,666
Shares of RM1.00 each				
Boustead Properties Berhad				
Tuan Hj. Johari Muhamad Abbas	42,500	—	—	42,500
Y. Bhg. Datuk Azzat Kamaludin	5,000	—	—	5,000
Affin Holdings Berhad				
Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	91,708	—	—	91,708
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	8,714	—	—	8,714
Tuan Hj. Johari Muhamad Abbas	27,000	—	—	27,000
Y. Bhg. Datuk Azzat Kamaludin	110,000	—	—	110,000
Affin Holdings Berhad – Warrants (W2/W3)				
Number of Units				
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	1,500	—	—	1,500
Tuan Hj. Johari Muhamad Abbas	5,000	—	—	5,000
Y. Bhg. Datuk Azzat Kamaludin	22,500	—	—	22,500

	At 1/1/06	Granted	Exercised	At 31/12/06
Boustead Holdings Berhad				
Options over Ordinary Shares of RM0.50 each				
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	400,000	—	(400,000)	—

DIRECTORS' INTERESTS (cont'd.)

The Board of Directors had offered Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin an option to acquire existing ordinary shares of RM1.00 each of up to five percent (5%) of the enlarged issued and paid up capital of Boustead Petroleum Sdn Bhd. 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 which is yet to be exercised will expire on 16 May 2007.

ISSUE OF SHARES

During the financial year, the Company's issued and paid up share capital was increased from RM296,045,144 to RM299,134,994 through the issuance of 6,179,700 ordinary shares of RM0.50 for cash at exercise prices ranging from RM1.34 to RM1.50 per ordinary share. The new ordinary shares issued during the financial year rank pari passu with the existing ordinary shares.

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 which was implemented on 22 July 2001 had expired on 22 July 2006.

The movement in the options to take up unissued new ordinary shares of RM0.50 each is set out 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.

OTHER STATUTORY INFORMATION (cont'd.)

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:
  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 42 to the financial statements.

SUBSEQUENT EVENTS

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

AUDITORS

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

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

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

Kuala Lumpur
1 March 2007

TAN SRI DATO' LODIN WOK KAMARUDDIN

Statement by Directors and Statutory Declaration

STATEMENT BY DIRECTORS

We, GEN. (R) TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT and TAN SRI DATO' LODIN WOK KAMARUDDIN, being two of the Directors of BOUSTEAD HOLDINGS BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 71 to 143 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

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

Kuala Lumpur
1 March 2007

TAN SRI DATO' LODIN WOK KAMARUDDIN

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

I, DANIEL EBINESAN, being the Officer responsible for the financial management of BOUSTEAD HOLDINGS BERHAD do solemnly and sincerely declare that the financial statements set out on pages 71 to 143 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 1 March 2007.

Before me

ZAINALABIDIN BIN NAN
Commissioner for Oaths
Kuala Lumpur

DANIEL EBINESAN

Auditors' Report

TO THE MEMBERS OF BOUSTEAD HOLDINGS BERHAD

We have audited the financial statements set out on pages 71 to 143. These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities 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 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
   (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

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

We have considered the financial statements and auditors' reports thereon of the Subsidiaries of which we have not acted as auditors, as indicated on pages 140 to 142, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

HABIBAH BTE ABDUL
No. 1210/05/08(J)
Partner

Kuala Lumpur
1 March 2007

Income Statements

For the year ended 31 December 2006

	Note	Group		Company	
		2006 **RM'000**	2005 RM'000	**2006** **RM'000**	2005 RM'000
Revenue	4	**4,114,326**	1,924,170	**70,317**	61,217
Operating cost	5	**(3,934,558)**	(1,842,676)	**(80,943)**	(70,327)
Results from operations		**179,768**	81,494	**(10,626)**	(9,110)
Gain on disposal of plantation assets		**248,841**	183,236	**—**	3,026
Interest income	6	**3,980**	4,187	**30,139**	10,505
Other investment (loss)/income	7	**(8,738)**	30,015	**179,871**	123,885
Finance cost	8	**(118,457)**	(109,669)	**(114,305)**	(67,885)
Share of results of Associates		**81,037**	81,930	**—**	—
Profit before taxation		**386,431**	271,193	**85,079**	60,421
Taxation	9	**(35,033)**	(40,746)	**(6,338)**	(42,203)
Net profit for the year		**351,398**	230,447	**78,741**	18,218
Attributable to:					
Shareholders of the Company		**210,184**	190,503	**78,741**	18,218
Minority interests		**141,214**	39,944	**—**	—
Net profit for the year		**351,398**	230,447	**78,741**	18,218
Earnings per share – sen	10				
Basic		**35.21**	32.49		
Fully diluted		**32.18**	30.50		
Gross dividend per share – sen	11	**18.50**	16.00	**18.50**	16.00

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

Balance Sheets

As at 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,513,599**	1,284,139	**13,670**	13,104
Biological assets	13	**185,292**	252,969	**—**	—
Investment properties	14	**554,898**	692,681	**—**	—
Development properties	15	**314,784**	337,078	**—**	—
Long term prepayment	16	**140,378**	125,657	**—**	—
Deferred tax assets	32	**82,844**	55,100	**2,338**	2,484
Subsidiaries	17	**—**	—	**884,099**	875,628
Associates	18	**1,272,545**	1,179,111	**975,604**	975,148
Investments	19	**7,318**	19,688	**3,699**	11,069
Goodwill on consolidation	20	**107,949**	107,949	**—**	—
		4,179,607	4,054,372	**1,879,410**	1,877,433
Current assets					
Inventories	21	**186,983**	170,691	**734**	703
Property development in progress	22	**64,120**	82,377	**—**	—
Receivables	23	**1,114,607**	557,312	**703,901**	560,459
Deposits, cash and bank balances	24	**190,553**	356,376	**8,263**	6,602
		1,556,263	1,166,756	**712,898**	567,764
Non-current assets held for sale	25	**29,990**	—	**—**	—
		1,586,253	1,166,756	**712,898**	567,764
TOTAL ASSETS		**5,765,860**	5,221,128	**2,592,308**	2,445,197

		Group		Company	
	Note	**2006 RM'000**	2005 RM'000	**2006 RM'000**	2005 RM'000
EQUITY AND LIABILITIES					
Equity attributable to shareholders of the Company					
Share capital	26	**299,135**	296,045	**299,135**	296,045
Non-distributable reserves	27	**637,670**	656,371	**394,437**	388,907
Retained earnings	28	**986,860**	750,304	**231,076**	221,427
Shareholders' equity		**1,923,665**	1,702,720	**924,648**	906,379
Negative goodwill	29	**—**	19,364	**—**	—
Minority interests		**783,220**	683,271	**—**	—
TOTAL EQUITY		**2,706,885**	2,405,355	**924,648**	906,379
Non-current liabilities					
Long term borrowings	30	**672,775**	874,331	**390,000**	410,000
Payables	31	**44,640**	36,029	**7,002**	7,227
Deferred tax liabilities	32	**72,598**	37,995	**—**	—
		790,013	948,355	**397,002**	417,227
Current liabilities					
Borrowings	33	**1,628,272**	1,138,569	**631,019**	497,837
Payables	31	**607,829**	678,622	**617,802**	602,470
Taxation		**11,024**	28,943	**—**	—
Dividend payable		**21,837**	21,284	**21,837**	21,284
		2,268,962	1,867,418	**1,270,658**	1,121,591
TOTAL LIABILITIES		**3,058,975**	2,815,773	**1,667,660**	1,538,818
TOTAL EQUITY AND LIABILITIES		**5,765,860**	5,221,128	**2,592,308**	2,445,197
Net assets per share attributable to ordinary shareholders of the Company - RM		**3.22**	2.91		

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

Statements of Changes in Equity

For the year ended 31 December 2006

	Attributable to Shareholders of the Company					
	Share Capital RM'000	Non-Distributable Reserves RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
GROUP – 2006						
At 1 January 2006						
As previously stated	296,045	656,371	750,304	1,702,720	683,271	2,385,991
Effects of adopting FRS 3	—	—	19,364	19,364	—	19,364
Effects of adopting FRS 140	—	(11,484)	65,221	53,737	25,024	78,761
As restated	296,045	644,887	834,889	1,775,821	708,295	2,484,116
Exchange fluctuation	—	1,480	—	1,480	—	1,480
Foreign exchange reserve realised on disposal of Subsidiaries (Note 17)	—	(293)	—	(293)	—	(293)
Changes in group structure	—	—	—	—	(19,144)	(19,144)
Write back of deferred tax provision	—	—	2,632	2,632	1,665	4,297
Dilution in Associates	—	(2,396)	(3,291)	(5,687)	—	(5,687)
Net (losses)/gains not recognised in the income statement	—	(1,209)	(659)	(1,868)	(17,479)	(19,347)
Issue of shares pursuant to ESOS (Note 26)	3,090	5,530	—	8,620	—	8,620
Issue of shares by Subsidiaries to minority interests	—	—	—	—	3,927	3,927
Repayment of redeemable preference shares	—	—	—	—	(5,416)	(5,416)
Transfer during the year	—	9,518	(9,518)	—	—	—
Reserve realised during the year	—	(21,056)	21,056	—	—	—
Net profit for the year	—	—	210,184	210,184	141,214	351,398
Dividends (Note 11)						
– Final of the previous year approved	—	—	(25,717)	(25,717)	—	(25,717)
– Interim of the current year	—	—	(43,375)	(43,375)	—	(43,375)
– Payable by Subsidiaries	—	—	—	—	(47,321)	(47,321)
At 31 December 2006	299,135	637,670	986,860	1,923,665	783,220	2,706,885

	Attributable to Shareholders of the Company					
	Share Capital RM'000	Non-Distributable Reserves RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
GROUP – 2005						
At 1 January 2005	289,770	689,754	820,566	1,800,090	530,861	2,330,951
Exchange fluctuation	—	(14,868)	—	(14,868)	(781)	(15,649)
Changes in group structure	—	(55)	(29)	(84)	—	(84)
Dilution in Associates	—	(13,392)	(11,597)	(24,989)	—	(24,989)
Recognition of reserves upon transfer of investment to Associate	—	—	(196,433)	(196,433)	—	(196,433)
Net losses not recognised in the income statement	—	(28,315)	(208,059)	(236,374)	(781)	(237,155)
Issue of shares pursuant to ESOS (Note 26)	6,275	9,881	—	16,156	—	16,156
Issue of shares by Subsidiaries to minority interests	—	—	—	—	50,209	50,209
Increase upon acquisition of Subsidiaries (Note 17)	—	—	—	—	85,351	85,351
Issue of redeemable preference shares	—	—	—	—	9,030	9,030
Transfer during the year	—	(6,929)	6,929	—	—	—
Reserve realised during the year	—	(8,020)	8,020	—	(43)	(43)
Net profit for the year	—	—	190,503	190,503	39,944	230,447
Dividends (Note 11)						
– Final of the previous year approved	—	—	(25,168)	(25,168)	—	(25,168)
– Interim of the current year	—	—	(42,487)	(42,487)	—	(42,487)
– Payable by Subsidiaries	—	—	—	—	(31,300)	(31,300)
At 31 December 2005	296,045	656,371	750,304	1,702,720	683,271	2,385,991

Statements of Changes in Equity

For the year ended 31 December 2006

	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Total RM'000
COMPANY – 2006				
At 1 January 2006	**296,045**	**388,907**	**221,427**	**906,379**
Issue of shares pursuant to ESOS (Note 26)	**3,090**	**5,530**	**—**	**8,620**
Net profit for the year	**—**	**—**	**78,741**	**78,741**
Dividends (Note 11)				
– Final of the previous year	**—**	**—**	**(25,717)**	**(25,717)**
– Interim of the current year	**—**	**—**	**(43,375)**	**(43,375)**
At 31 December 2006	**299,135**	**394,437**	**231,076**	**924,648**
COMPANY – 2005				
At 1 January 2005	289,770	379,026	270,864	939,660
Issue of shares pursuant to ESOS (Note 26)	6,275	9,881	—	16,156
Net profit for the year	—	—	18,218	18,218
Dividends (Note 11)				
– 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

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

Cash Flow Statements

For the year ended 31 December 2006

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Operating activities				
Cash receipts from customers	**4,194,129**	2,218,308	**67,603**	61,299
Cash paid to suppliers and employees	**(4,103,306)**	(1,838,189)	**(71,580)**	(51,614)
Cash generated from/(used in) operations	**90,823**	380,119	**(3,977)**	9,685
Income taxes (paid)/refunded	**(43,706)**	(62,926)	**28,660**	—
Net cash from operating activities	**47,117**	317,193	**24,683**	9,685
Investing activities				
Acquisition of Subsidiaries (Note 17)	**—**	(379,390)	**—**	(5)
Disposal of Subsidiaries (Note 17)	**1,994**	—	**—**	—
Acquisition of Associates	**—**	(167,088)	**—**	(167,088)
Disposal of Associates	**620**	—	**620**	—
Additional investment in Subsidiary and Associate	**(74,888)**	(25,433)	**(77,781)**	(108,945)
Investments purchased	**(190)**	(733)	**(190)**	(733)
Proceeds from disposal of plantation assets	**—**	742,000	**—**	52,600
Proceeds from disposal of investments	**6,626**	4,444	**6,626**	4,444
Biological assets and property, plant and equipment				
– purchases	**(204,406)**	(170,722)	**(1,492)**	(1,466)
– disposals	**4,816**	55,678	**21**	32
Development of investment property	**(43,435)**	(102,114)	**—**	—
Dividends received	**31,893**	27,556	**203,609**	174,002
Interest received	**3,980**	4,187	**11,852**	953
Net cash (used in)/from investing activities	**(272,990)**	(11,615)	**143,265**	(46,206)

Cash Flow Statements

For the year ended 31 December 2006

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Financing activities				
Issue of shares				
– by the Company	**8,620**	16,156	**8,620**	16,156
– by Subsidiaries to minority interests	**3,927**	59,239	**—**	—
Dividends paid				
– by the Company	**(68,539)**	(67,655)	**(68,539)**	(67,655)
– by Subsidiaries to minority interests	**(47,321)**	(31,300)	**—**	—
Proceeds from long term loans	**149,945**	208,382	**—**	—
Repayment of long term loans	**(159,670)**	(608,498)	**(20,000)**	(220,000)
Increase of revolving credits and bankers' acceptances	**297,583**	336,052	**124,250**	235,662
Receipts from group companies	**—**	—	**594,962**	753,420
Payments to group companies	**—**	—	**(708,525)**	(656,138)
Interest paid	**(122,632)**	(110,842)	**(105,987)**	(61,416)
Repayment of redeemable preference shares	**(5,416)**	—	**—**	—
Net cash from/(used in) financing activities	**56,497**	(198,466)	**(175,219)**	29
Net (decrease)/increase in cash and cash equivalents	**(169,376)**	107,112	**(7,271)**	(36,492)
Foreign currency translation difference	**(38)**	(74)	**—**	—
Cash and cash equivalents at beginning of year	**273,030**	165,992	**(30,485)**	6,007
Cash and cash equivalents at end of year	**103,616**	273,030	**(37,756)**	(30,485)
Cash and cash equivalents at end of year comprise:				
Deposits, cash and bank balances	**190,553**	356,376	**8,263**	6,602
Overdrafts	**(86,937)**	(83,346)	**(46,019)**	(37,087)
Cash and cash equivalents at end of year	**103,616**	273,030	**(37,756)**	(30,485)

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

Accounting Policies

(a) BASIS OF PREPARATION

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

At the beginning of the financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.

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

(b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the audited financial statements of the Company and its Subsidiaries made up to the end of the year. Subsidiaries are companies in which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity. Details of Subsidiaries are given on pages 140 to 142.

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

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

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

Accounting Policies

(c) ASSOCIATES

An Associate is defined as a company, not being a Subsidiary or an interest in a joint venture, in which the Group has a long term equity interest of not less than 20% and in whose financial and operating decisions the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies. Details of Associates are given on page 143.

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

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

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

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

(d) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

(e) **CURRENCY CONVERSION**

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

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

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the exchange rates ruling at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign Subsidiary before 1 January 2006 are deemed to be the assets and liabilities of the parent company and are recorded in RM at the exchange rates ruling at the date of the acquisition.

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

Foreign currency	2006	2005
1 US Dollar	RM3.52	RM3.78
1 Euro	RM4.64	RM4.49
1 Sterling Pound	RM6.92	RM6.52
1,000 Indonesian Rupiah	RM0.39	RM0.38
1 Singapore Dollar	RM2.30	RM2.30

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

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

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

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases that range from 30 to 999 years. Other assets are depreciated on a straight-line basis to write off the cost or valuation of the assets to their residual values, over the term of their estimated useful lives as follows:

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

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

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

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

(g) BIOLOGICAL ASSETS

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

(h) INVESTMENT PROPERTIES

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

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

(i) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS

(i) Development properties

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

(i) **DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS (cont'd.)**

(ii) **Property development in progress**

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

(j) **REVENUE RECOGNITION**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

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

(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.

(k) INCOME TAX (cont'd.)

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) 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.

(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 instruments.

(p) FINANCIAL INSTRUMENTS (cont'd.)

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

(i) Cash and cash equivalents

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

(ii) Other non-current investments

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

(iii) Trade receivables

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

(iv) Payables and provision

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

(v) Borrowings

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

(vi) Redeemable convertible bonds

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

(p) FINANCIAL INSTRUMENTS (cont'd.)

(vi) Redeemable convertible bonds (cont'd.)

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

(vii) Equity instruments

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

(q) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

Accounting Policies

(r) 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.

(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.

(t) ASSETS HELD FOR SALE

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

(u) GOODWILL

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

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

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

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 Ringgit Malaysia. The Group's policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities and private debt securities.

Liquidity and cash flow risk

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

Credit risk

The Group seeks to invest cash assets safely and profitably. The Group also seeks to control credit risk by setting counterparty limits, obtaining bank guarantees where appropriate; and ensuring that sale of products and services are made to customers with an appropriate credit history, and monitoring customers' financial 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 19 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.

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

Fair values (cont'd.)

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

2. CHANGES IN ACCOUNTING POLICIES

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

FRS 2	Share-based payment
FRS 3	Business combinations
FRS 5	Non-current assets held for sale and discontinued operations
FRS 101	Presentation of financial statements
FRS 102	Inventories
FRS 108	Accounting policies, changes in accounting estimates and errors
FRS 110	Events after the balance sheet date
FRS 116	Property, plant and equipment
FRS 121	The effects of changes in foreign exchange rates
FRS 127	Consolidated and separate financial statements
FRS 128	Investments in associates
FRS 131	Interests in joint ventures
FRS 132	Financial instruments: disclosure and presentation
FRS 133	Earnings per share
FRS 136	Impairment of assets
FRS 138	Intangible assets
FRS 140	Investment property

The adoption of FRS 2, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 and 138 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) FRS 3: Business combinations and FRS136: Impairment of assets

Prior to 1 January 2006, goodwill was amortised on a straight line basis over the estimated useful life of up to twenty years.

The adoption of these new FRSs have resulted in the Group ceasing annual amortisation of goodwill. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed.

The Group has also ceased to include annual amortisation of goodwill included in the carrying amount of investments in Associates in the determination of the Group's share of profits or losses of Associates. The net carrying amount of goodwill included in investments in Associates as at 1 January 2006 was RM202.11 million.

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

(a) FRS 3: Business combinations and FRS 136: Impairment of assets (cont'd.)

Prior to 1 January 2006, negative goodwill was 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. Under FRS 3, negative goodwill is now recognised immediately in profit or loss. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM19.36 million was derecognised with a corresponding increase in retained earnings.

The transitional provisions of FRS 3 have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM53.20 million against the gross amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM107.95 million ceased to be amortised.

Because these accounting policies have been applied prospectively, the change has had no impact on the amounts reported for 2005 or prior periods. The effects are set out in Note 2(d).

(b) FRS 140: Investment property

Prior to 1 January 2006, investment properties were stated at valuation. Revaluations were carried out at least once every five years. 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. Upon the adoption of FRS 140, investment properties are now stated at fair value and gains and losses arising from changes in fair value are recognised in the income statement in the year in which they arise.

Prior to 1 January 2006, the Group's hotel properties were classified as investment properties and were stated at valuation. The Group has adopted FRS 140 prospectively in accordance with the transitional provisions. Upon the adoption of FRS 140, the carrying amount as at 1 January 2006 of the hotels and properties which do not meet the definition of investment properties was reclassified as property, plant and equipment and depreciated on a straight-line basis to write off the carrying amount of the assets to their residual values, over the term of their estimated useful lives of up to eighty years. Depreciation charge for the current year taken to the income statement was RM4.77 million.

The comparatives as at 31 December 2005 are not restated. Instead the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2006:

	As at 1 January 2006 RM'000
Increase in retained earnings	65,221
Decrease in revaluation reserve	11,484
Increase in minority interests	25,024
Increase in property, plant and equipment	260,072
Decrease in investment properties	180,282
Increase in deferred tax liabilities	1,029

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

(c) **FRS 101: Presentation of financial statements**

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 January 2006, the Group's share of taxation of Associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of Associates accounted for using the equity method are now included in the respective shares of results reported in the consolidated income statement before arriving at the Group's profit before tax.

New planting expenditure previously classified under property, plant and equipment are now disclosed separately as biological assets. The group maintains its existing policy on biological assets and shall comply with the provisions of FRS 141: Agriculture when it becomes mandatory for application in Malaysia.

(d) **Effects from adoption of new and revised FRSs**

The following tables provide estimates of the extent to which each of the line items in the Group's balance sheet and income statement for the year ended 31 December 2006 is lower or higher than it would have been had the previous policies been applied in the current year. The effects of the change in accounting policies on the Company's financial statements is not significant.

(i) **Effects on balance sheet as at 31 December 2006**

Increase/(decrease)	FRS 3 RM'000	FRS 140 RM'000	FRS 101 RM'000	Total RM'000
Property, plant and equipment	—	(255,304)	(185,292)	(440,596)
Biological assets	—	—	185,292	185,292
Investment properties	—	(180,282)	—	(180,282)
Investment in Associates	(11,214)	—	—	(11,214)
Goodwill on consolidation	(5,824)	—	—	(5,824)
Revaluation reserve	—	11,484	—	11,484
Retained earnings	17,038	(62,549)	—	(45,511)
Minority interests	—	(22,928)	—	(22,928)
Deferred tax liabilities	—	(1,029)	—	(1,029)
Other payables	—	—	(20,012)	(20,012)
Other payables (non-current)	—	--	44,640	44,640
Borrowings (non-current)	—	--	(24,628)	(24,628)

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

(d) Effects from adoption of new and revised FRSs (cont'd.)

(ii) **Effects on income statement for the year ended 31 December 2006**

Increase/(decrease)	FRS 3 RM'000	FRS 140 RM'000	FRS 101 RM'000	Total RM'000
Depreciation for the year	–	(4,768)	—	(4,768)
Amortisation of goodwill on consolidation	17,038	—	—	17,038
Amortisation of negative goodwill	19,364	–	—	19,364
Profit before tax	2,326	4,768	—	7,094
Tax expense	–	(1,335)	—	(1,335)
Profit for the year	2,326	3,433	—	5,759
Earnings per share – Sen				
Basic	0.39	0.58	—	0.97
Fully diluted	0.36	0.53	—	0.89

(iii) **Restatement of comparatives**

The following comparative amounts have been restated as a result of adopting new and revised FRSs:

Increase/(decrease)	Previously stated RM'000	FRS 101 RM'000	Restated RM'000
Group			
Property, plant and equipment	1,537,108	(252,969)	1,284,139
Biological assets	—	252,969	252,969
Payables (current)	693,849	(15,227)	678,622
Other payables (non-current)	—	36,029	36,029
Borrowings (non-current)	895,133	(20,802)	874,331
Share of results of Associates	110,813	(28,883)	81,930
Profit before taxation	300,076	(28,883)	271,193
Taxation	69,629	(28,883)	40,746
Company			
Other payables (non-current)	—	7,227	7,227
Borrowings (non-current)	417,227	(7,227)	410,000

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment at least on an annual basis. This requires the estimation of value in use of the assets or cash-generating units (CGU) to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges.

The carrying amount of goodwill as at 31 December 2006 was RM107.95 million.

(b) Useful lives of property, plant and equipment

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

In the current financial year, the estimated useful lives and residual values of certain property, plant and equipment were revised, resulting in an increase in depreciation charge for the year by RM691,000 for the Group and a decrease in depreciation charge for the year by RM190,000 for the Company.

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

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

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

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

As at 31 December 2006, RM19 million has been recognised as impairment loss in respect of the Group's plantation assets.

(d) **Deferred tax assets**

The Group's assessment on the recognition of deferred tax assets on non deductible temporary differences is based on the forecast taxable income of the following reporting period. This forecast is based on the Group's past results and future expectations on revenue and expenses. As of 31 December 2006, the Group has deferred tax assets of RM82.84 million.

4. **REVENUE**

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Sale of produce	**468,391**	437,060	**69,332**	60,103
Sale of goods	**3,229,045**	1,092,046	**—**	—
Sale of development properties	**213,652**	245,082	**—**	—
Revenue from agency business	**50,204**	42,449	**—**	—
Rental income – investment properties	**48,969**	30,815	**—**	—
– others	**9,044**	8,267	**985**	1,114
Others	**95,021**	68,451	**—**	—
	4,114,326	1,924,170	**70,317**	61,217

5. OPERATING COST

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Changes in inventories of finished goods and work in progress	**25,205**	6,973	**(31)**	1,158
Finished goods and work in progress purchases	**3,095,246**	1,124,786	**—**	—
Raw material and consumables used	**260,048**	242,269	**63,189**	50,196
Staff costs	**179,544**	149,492	**6,346**	6,661
Defined contribution plans	**26,899**	22,424	**952**	999
Depreciation	**73,701**	54,186	**1,005**	3,291
(Profit)/loss on disposal of property, plant and equipment	**(7,364)**	7,367	**(21)**	(32)
Impairment loss				
– Property, plant and equipment (Note 12)	**9,500**	36,551	**—**	—
– Biological assets (Note 13)	**9,500**	48,978	**—**	—
Other operating cost	**262,279**	149,650	**9,503**	8,054
	3,934,558	1,842,676	**80,943**	70,327

		Group 2006	Group 2005	Company 2006	Company 2005
Other operating cost include:					
Rent paid	– plantation assets	**68,938**	7,560	**3,882**	396
	– others	**14,456**	4,698	**866**	799
Auditors' remuneration	– statutory audit	**1,312**	1,145	**95**	75
	– non audit fees	**25**	100	**25**	20
Directors' fees	– current year	**365**	346	**135**	135
Directors' remuneration	– emoluments	**1,541**	1,296	**60**	60
	– benefits	**135**	76	**44**	44
Hire of equipment		**155**	279	**—**	—
Bad and doubtful debts	– Subsidiaries	**—**	—	**3,046**	116
	– others	**2,536**	13,932	**34**	5,103
Research and development		**4,724**	5,812	**—**	—
Net foreign exchange gains		**(19,918)**	(3,398)	**—**	—
Write-down of inventories		**342**	952	**—**	—
Reversal of write-down of inventories		**—**	(1,140)	**—**	—

5. OPERATING COST (cont'd.)

During the year, the Group reviewed the recoverable amounts of new plantation developments in Sabah, Sarawak and Indonesia using discounted cash flow over one economic cycle at discount factors of between 8.5% to 10%. Key assumptions used for prices were RM1,600 per MT for palm oil and RM900 per MT for palm kernel. FFB production was estimated at up to 26 MT per hectare for Sabah estates and 24 MT per hectare for Sarawak and Indonesia estates. These key assumptions are highly variable and will most likely fluctuate due to factors beyond the Group's control. The review led to the recognition of impairment of RM19 million for the year ended 31 December 2006, totalling RM9.50 million each for biological assets and property, plant and equipment 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 RM1,600,001 to RM1,650,000		1

6. INTEREST INCOME

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Interest income – Subsidiaries	**—**	—	**29,523**	9,788
– Associates	**1,799**	1,147	**564**	136
– others	**2,181**	3,040	**52**	581
	3,980	4,187	**30,139**	10,505

7. OTHER INVESTMENT (LOSS)/INCOME

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Gross dividends from quoted shares in Malaysia:				
– Subsidiaries	**—**	—	**43,242**	38,612
– Associates	**—**	—	**19,064**	16,446
– others	**225**	435	**225**	435
Gross dividends from unquoted shares in Malaysia:				
– Subsidiaries	**—**	—	**157,075**	164,554
– Associates	**—**	—	**22,254**	17,503
– others	**225**	479	**—**	—
Profit on sale of investments	**1,658**	622	**1,577**	617
Gain on disposal of Associates	**(17)**	—	**46**	—
Gain on disposal of Subsidiaries	**1,896**	—	**—**	—
Amortisation of goodwill on consolidation	**—**	(11,073)	**—**	—
Amortisation of negative goodwill	**—**	53,834	**—**	—
Impairment loss				
– Associates and Subsidiaries	**(15,000)**	(14,482)	**(64,612)**	(114,482)
– other investments	**(5,000)**	—	**—**	—
Reversal of impairment loss for other investments	**1,000**	200	**1,000**	200
Negative goodwill recognised	**6,275**	—	**—**	—
	(8,738)	30,015	**179,871**	123,885

8. FINANCE COST

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Interest expense on:				
Loans from Subsidiaries	**—**	—	**59,779**	5,337
Bank borrowings	**90,516**	64,655	**30,148**	31,789
Bank guaranteed serial bonds	**6,089**	12,140	**6,089**	12,140
Bank guaranteed redeemable convertible bonds	**18,289**	18,619	**18,289**	18,619
Islamic bonds	**7,350**	11,550	**—**	—
Redeemable convertible bonds	**8,855**	13,700	**—**	—
	131,099	120,664	**114,305**	67,885
Less: Interest expense capitalised in qualifying assets	**(12,642)**	(10,995)	**—**	—
	118,457	109,669	**114,305**	67,885

9. TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Tax expense for the year:				
Malaysian income tax	**29,939**	42,174	**6,192**	49,017
Deferred tax relating to origination and reversal of temporary differences	**8,563**	947	**(33)**	(5,381)
	38,502	43,121	**6,159**	43,636
(Over)/under provision in prior years:				
Current	**(5,033)**	780	**—**	—
Deferred	**1,564**	(3,155)	**179**	(1,433)
	35,033	40,746	**6,338**	42,203

Domestic income tax is calculated at the Malaysian statutory rate of 28% (2005: 28%) of the estimated assessable profit for the year.

9. TAXATION (cont'd.)

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

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Profit before taxation	**386,431**	271,193	**85,079**	60,421
Taxation at Malaysian statutory rate of 28% (2005: 28%)	**108,200**	75,934	**23,822**	16,918
Income not subject to tax	**(104,103)**	(91,205)	**(36,443)**	(2,351)
Expenses not deductible for tax purposes	**21,287**	58,856	**19,075**	33,374
Tax incentives	**(2,432)**	(4,314)	**—**	—
Deferred tax assets not recognised during the year	**23,230**	15,573	**—**	—
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(9,077)**	—	**—**	—
Deferred tax liability reversed on disposal of assets	**—**	(15,538)	**—**	(4,942)
Others	**1,397**	3,815	**(295)**	637
	38,502	43,121	**6,159**	43,636
(Over)/under provision in prior years	**(3,469)**	(2,375)	**179**	(1,433)
Tax expense for the year	**35,033**	40,746	**6,338**	42,203

10. EARNINGS PER SHARE

Basic earnings per share

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

	Group	
	2006	2005
Net profit for the year (RM'000)	**210,184**	190,503
Weighted average number of ordinary shares in issue ('000)	**596,906**	586,408
Basic earnings per share (sen)	**35.21**	32.49

Diluted earnings per share

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

	Group	
	2006	2005
RM'000		
Net profit for the year	**210,184**	190,503
After-tax effects of interest on bank guaranteed redeemable convertible bonds	**6,741**	6,300
After-tax effects of potential dilution upon conversion of a Subsidiary's redeemable convertible bonds	**(8,312)**	(1,607)
Adjusted net profit for the year	**208,613**	195,196
'000		
Weighted average number of ordinary shares in issue	**596,906**	586,408
Effects of dilution:		
Share options	**—**	2,367
Bank guaranteed redeemable convertible bonds	**51,282**	51,282
Adjusted weighted average number of ordinary shares in issue and issuable	**648,188**	640,057
Diluted earnings per share (sen)	**32.18**	30.50

11. DIVIDENDS

	Dividend amount		Gross Dividend per ordinary share	
	2006 RM'000	2005 RM'000	**2006 Sen**	2005 Sen
Interim:				
First interim of 10% (2005: 10%) less tax paid on 9 October 2006	**21,538**	21,203	**5.00**	5.00
Second interim of 10% (2005: 10%) less tax paid on 18 January 2007	**21,837**	21,284	**5.00**	5.00
	43,375	42,487	**10.00**	10.00
Proposed:				
Final of 12% (2005: 12%) less tax payable on 2 May 2007	**26,204**	25,717	**6.00**	6.00
Bonus of 5% (2005: Nil) less tax payable on 2 May 2007	**10,919**	—	**2.50**	—
	80,498	68,204	**18.50**	16.00

The Directors will propose at the forthcoming Annual General Meeting to be held on 5 April 2007, a final dividend and a bonus dividend of 12% and 5% per share less tax, amounting to RM37,123,000. These financial statements do not reflect the final dividend and bonus dividend which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2007 when approved by shareholders.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Property RM'000	Long Leasehold Property RM'000	Short Leasehold Property RM'000	Plant and Equipment RM'000	Total RM'000
GROUP – 2006					
At cost or valuation					
At beginning of the year					
As previously stated	519,295	488,764	300,699	524,821	1,833,579
Transfer to biological assets	(55,876)	(166,345)	(90,195)	—	(312,416)
	463,419	322,419	210,504	524,821	1,521,163
Transfer from/(to) investment properties	260,920	—	—	(1,075)	259,845
As restated	724,339	322,419	210,504	523,746	1,781,008
Assets of Subsidiaries disposed	—	—	(2,644)	—	(2,644)
Additions	865	8,673	16,945	167,314	193,797
Disposals	(114,201)	—	(27,095)	(18,710)	(160,006)
Transfer to assets held for sale	(20,294)	—	—	—	(20,294)
Reclassification	10,237	364	515	(11,116)	—
Exchange adjustment	—	—	1,300	261	1,561
At end of year	600,946	331,456	199,525	661,495	1,793,422
Accumulated depreciation and impairment					
At beginning of the year					
As previously stated	11,662	17,592	116,106	151,111	296,471
Transfer to biological assets	—	—	(59,447)	—	(59,447)
	11,662	17,592	56,659	151,111	237,024
Transfer to investment properties	(227)	—	—	—	(227)
As restated	11,435	17,592	56,659	151,111	236,797
Assets of Subsidiaries disposed	—	—	(751)	—	(751)
Charge for the year	10,358	4,450	12,160	45,844	72,812
Disposals	(8,264)	—	(13,601)	(16,427)	(38,292)
Impairment	—	9,500	—	—	9,500
Transfer to assets held for sale	(697)	—	—	—	(697)
Exchange adjustment	—	—	349	105	454
At end of year	12,832	31,542	54,816	180,633	279,823
Net book value at 31 December 2006	588,114	299,914	144,709	480,862	1,513,599
Accumulated impairment at 31 December 2006	—	9,500	30,345	2,529	42,374

Notes to the Financial Statements

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

	Freehold Property RM'000	Long Leasehold Property RM'000	Short Leasehold Property RM'000	Plant and Equipment RM'000	Total RM'000
GROUP – 2005					
At cost or valuation					
At beginning of the year					
As previously stated	415,738	954,567	225,978	374,624	1,970,907
Transfer to biological assets	(85,047)	(404,221)	(104,088)	—	(593,356)
As restated	330,691	550,346	121,890	374,624	1,377,551
Assets of Subsidiaries acquired	157,603	25,447	95,009	184,569	462,628
Additions	8,612	11,159	9,076	149,342	178,189
Disposals	(111,999)	(263,911)	(9,183)	(105,109)	(490,202)
Reclassification	78,512	(622)	454	(78,344)	—
Exchange adjustment	—	—	(6,742)	(261)	(7,003)
At end of year	463,419	322,419	210,504	524,821	1,521,163
Accumulated depreciation and impairment					
At beginning of the year					
As previously stated	15,632	64,869	24,671	197,079	302,251
Transfer to biological assets	—	—	(6,020)	—	(6,020)
As restated	15,632	64,869	18,651	197,079	296,231
Charge for the year	2,350	5,529	9,995	31,558	49,432
Disposals	(4,693)	(52,806)	(7,124)	(79,687)	(144,310)
Impairment	—	—	34,022	2,529	36,551
Reclassification	(1,627)	—	1,627	—	—
Exchange adjustment	—	—	(512)	(368)	(880)
At end of year	11,662	17,592	56,659	151,111	237,024
Net book value at 31 December 2005	451,757	304,827	153,845	373,710	1,284,139
Accumulated impairment at 31 December 2005	—	—	34,022	2,529	36,551

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

	Freehold Property RM'000	Long Leasehold Property RM'000	Short Leasehold Property RM'000	Plant and Equipment RM'000	Total RM'000
COMPANY – 2006					
At cost					
At beginning of year	4,835	4,394	6,676	8,832	24,737
Additions	101	—	—	1,391	1,492
Transfer from Group company	—	—	—	334	334
Disposals	—	—	—	(123)	(123)
At end of year	4,936	4,394	6,676	10,434	26,440
Accumulated depreciation and impairment					
At beginning of year	1,311	1,206	2,360	6,756	11,633
Charge for the year	196	61	145	603	1,005
Transfer from Group company	—	—	—	255	255
Disposals	—	—	—	(123)	(123)
At end of year	1,507	1,267	2,505	7,491	12,770
Net book value at 31 December 2006	3,429	3,127	4,171	2,943	13,670

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

	Freehold Property RM'000	Long Leasehold Property RM'000	Short Leasehold Property RM'000	Plant and Equipment RM'000	Total RM'000
COMPANY – 2005					
At cost					
At beginning of year					
As previously stated	44,024	4,394	6,676	21,209	76,303
Transfer to biological assets	(4,938)	—	—	—	(4,938)
As restated	39,086	4,394	6,676	21,209	71,365
Additions	55	—	—	1,411	1,466
Transfer from Group company	—	—	—	124	124
Disposals	(34,306)	—	—	(13,912)	(48,218)
At end of year	4,835	4,394	6,676	8,832	24,737
Accumulated depreciation and impairment					
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 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
Net book value at 31 December 2005	3,524	3,188	4,316	2,076	13,104

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

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Analysis of net book value of properties:				
Freehold property				
– land	**222,022**	324,908	**823**	823
– building	**366,092**	126,849	**2,606**	2,701
	588,114	451,757	**3,429**	3,524
Long leasehold property				
– land	**246,368**	252,440	**1,613**	1,625
– building	**53,546**	52,387	**1,514**	1,563
	299,914	304,827	**3,127**	3,188
Short leasehold property				
– land	**43,366**	57,183	**313**	327
– building	**101,343**	96,662	**3,858**	3,989
	144,709	153,845	**4,171**	4,316
	1,032,737	910,429	**10,727**	11,028
Analysis of cost or valuation:				
Cost	**1,648,890**	1,397,909	**26,440**	24,737
Valuation – 1992	**16,532**	123,254	**—**	—
Valuation – 2001	**128,000**	—	**—**	—
	1,793,422	1,521,163	**26,440**	24,737

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 37 to the financial statements, the Group and the Company will enjoy the continued use of these assets spanning over an area of 46,896 hectares (2005: 36,260 hectares) and 1,411 hectares (2005: 1,411 hectares) of plantation land respectively.

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

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	
	2006 RM'000	2005 RM'000
Freehold property	**67,333**	44,735
Long leasehold property	**5,247**	5,403
Short leasehold property	**450**	462
	73,030	50,600

The additions to property, plant and equipment during the year include interest capitalised of RM349,000 (2005: RM157,000).

13. BIOLOGICAL ASSETS

	Group	
	2006 RM'000	2005 RM'000
GROUP		
At cost		
At 1 January 2006, as previously stated	**—**	—
Reclassified from property, plant and equipment	**312,416**	593,356
At 1 January, as restated	**312,416**	593,356
Additions	**5,973**	1,094
Disposals	**(58,463)**	(275,917)
Transfer to assets held for sale	**(10,393)**	—
Exchange fluctuation	**757**	(6,117)
At 31 December	**250,290**	312,416

13. BIOLOGICAL ASSETS (cont'd.)

	Group	
	2006 RM'000	2005 RM'000
Accumulated depreciation and impairment		
At 1 January 2006, as previously stated	**—**	—
Reclassified from property, plant and equipment	**59,447**	6,020
At 1 January, as restated	**59,447**	6,020
Charge for the year	**889**	4,754
Disposals	**(5,430)**	—
Impairment	**9,500**	48,978
Exchange fluctuation	**592**	(305)
At 31 December	**64,998**	59,447
Net book value at 31 December	**185,292**	252,969
Accumulated impairment at 31 December	**55,591**	50,278

The additions to biological assets during the year include interest capitalised of RM431,000 (2005: RM190,000).

14. INVESTMENT PROPERTIES

	Group	
	2006 RM'000	2005 RM'000
At 1 January		
As previously stated	**692,681**	605,022
Fair value adjustment	**79,790**	—
Transfer to property, plant and equipment	**(272,431)**	—
Transfer from property, plant and equipment	**12,359**	—
As restated	**512,399**	605,022
Additions from subsequent expenditure	**42,499**	87,659
At 31 December	**554,898**	692,681

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

Notes to the Financial Statements

15. DEVELOPMENT PROPERTIES

	Group	
	2006 RM'000	2005 RM'000
At beginning of year:		
Freehold land, at cost	**78,503**	72,109
Long leasehold land, at cost	**26,317**	24,923
Development cost	**232,258**	176,392
	337,078	273,424
Development cost incurred during the year	**40,076**	60,291
Transfer (to)/from property development in progress (Note 22)		
Freehold land	**(15,006)**	(3,464)
Long leasehold land	**(931)**	1,394
Development cost	**(46,433)**	(11,572)
Reclassification of land from development properties in progress	**—**	9,858
Reclassification of development cost from development properties in progress	**—**	7,147
	(62,370)	3,363
At end of year	**314,784**	337,078

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 RM5,732,000 (2005: RM6,515,000).

16. 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.

17. SUBSIDIARIES

	Company	
	2006 RM'000	2005 RM'000
Shares quoted in Malaysia, at cost	**278,387**	265,475
Unquoted shares, at cost less amounts written off	**605,712**	610,153
	884,099	875,628
Market value of quoted shares	**499,485**	434,742

The effects on the financial position of the Group as at the end of the year arising from the disposal of Subsidiaries are as follows:

	Group	
	2006 RM'000	2005 RM'000
Net assets disposed:		
Property, plant and equipment	**1,893**	—
Trade receivables	**72**	—
Cash and bank balances	**82**	–
Other payables	**(231)**	—
Taxation	**(4)**	—
Amount due to holding company	**(1,339)**	—
Transfer from exchange fluctuation reserve (Note 27)	**(293)**	—
Gain on disposal	**1,896**	—
Sale consideration	**2,076**	—
Cash and bank balances disposed	**(82)**	—
Net cash proceeds from disposal	**1,994**	—

17. SUBSIDIARIES (cont'd.)

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

	Group	
	2006 RM'000	2005 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 liabilities	—	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)

18. ASSOCIATES

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
At cost less amount written off:				
Shares quoted in Malaysia	**609,961**	660,014	**609,961**	660,014
Warrants quoted in Malaysia	**22,345**	37,345	**22,345**	37,345
Unquoted shares at cost	**354,005**	288,512	**343,298**	277,789
	986,311	985,871	**975,604**	975,148
Share of post acquisition reserves	**286,234**	193,240	**—**	—
	1,272,545	1,179,111	**975,604**	975,148
Market value:				
Quoted shares	**631,326**	573,539	**631,326**	573,539
Quoted warrants	**20,086**	16,927	**20,086**	16,927
	651,412	590,466	**651,412**	590,466
The summarised financial information of the Associates are as follows:				
Assets and liabilities				
Total assets	**37,554,914**	32,677,219		
Total liabilities	**(34,795,550)**	(29,116,434)		
Results				
Revenue	**3,215,167**	2,983,092		
Profit/(loss) for the year	**206,212**	(201,638)		

The financial statements of the Associates are coterminous with those of the Group except for Drew Ameroid Sdn Bhd and Perimekar Sdn Bhd whose financial year ends on 30 September and 31 January respectively.

As at year end, title to shares in an Associate with a carrying amount of RM62 million has not been registered in the name of the Company.

18. ASSOCIATES (cont'd.)

	Goodwill RM'000	Negative Goodwill RM'000	Total RM'000
Cost			
At 1 January 2005	103,024	(1,062)	101,962
Arising from investment in Associates	167,088	—	167,088
At 31 December 2005 and 1 January 2006	270,112	(1,062)	269,050
Effects of adopting FRS 3	(68,006)	1,062	(66,944)
Arising from investment in Associates	65,330	—	65,330
At 31 December 2006	267,436	—	267,436
Accumulated amortisation			
At 1 January 2005	64,836	(1,040)	63,796
Amortisation	3,170	(22)	3,148
At 31 December 2005 and 1 January 2006	68,006	(1,062)	66,944
Effects of adopting FRS 3	(68,006)	1,062	(66,944)
At 31 December 2006	—	—	—
Net carrying amount at 31 December 2006	267,436	—	267,436
Net carrying amount at 31 December 2005	202,106	—	202,106

The carrying amount of the Group's goodwill on acquisition of the Associate Boustead Naval Shipyard Sdn Bhd totalling RM229 million was assessed for impairment during the year.

Goodwill is allocated for impairment testing purposes to the individual entity which is also the CGU. The recoverable amount is determined based on a value in use calculation using cash flow projections approved by the entity's board of directors covering a four-year period. Cash flows beyond the fourth year are extrapolated, and a pre-tax discount rate of 8.5% per annum was applied to the cash flow projections, after taking into consideration the Group's cost of borrowings, the expected rate of return and various risks.

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

19. INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Shares quoted in Malaysia, at cost	**2,508**	7,557	**2,508**	7,557
Unquoted shares, at cost less amount written off	**1,310**	4,631	**1,191**	4,512
Unquoted bonds, at cost less amount written off	**3,500**	8,500	**—**	—
	7,318	20,688	**3,699**	12,069
Less: allowance for diminution in value	**—**	(1,000)	**—**	(1,000)
	7,318	19,688	**3,699**	11,069
Market value of quoted shares	**3,567**	9,153	**3,567**	9,153

20. GOODWILL ON CONSOLIDATION

	Group	
	2006 RM'000	2005 RM'000
Cost		
At 1 January		
As previously stated	**161,149**	49,846
Effects of adopting FRS 3	**(53,200)**	—
As restated	**107,949**	49,846
Additional investment in Subsidiaries	**—**	4,818
Acquisition of Subsidiaries	**—**	106,485
At 31 December	**107,949**	161,149

20. GOODWILL ON CONSOLIDATION (cont'd.)

	Group	
	2006 RM'000	2005 RM'000
Accumulated amortisation and impairment		
At 1 January		
As previously stated	**(53,200)**	(45,275)
Effects of adopting FRS 3	**53,200**	—
As restated	**—**	(45,275)
Amortisation during the year	**—**	(7,925)
At 31 December	**—**	(53,200)
Net carrying amount at 31 December	**107,949**	107,949

21. INVENTORIES

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
At cost:				
Raw materials and work in progress	**7,600**	5,143	**—**	—
Goods for resale	**149,880**	132,966	**—**	—
Estate produce	**8,880**	10,596	**471**	453
Completed properties	**8,039**	7,719	**—**	—
Consumable stores	**12,093**	13,776	**263**	250
	186,492	170,200	**734**	703
At net realisable value:				
Goods for resale	**491**	491	**—**	—
	186,983	170,691	**734**	703

22. PROPERTY DEVELOPMENT IN PROGRESS

	Group	
	2006 RM'000	2005 RM'000
At beginning of year:		
Freehold land, at cost	**43,975**	70,922
Long leasehold land, at cost	**4,244**	6,923
Development cost	**175,591**	160,599
	223,810	238,444
Development cost incurred during the year	**73,574**	129,962
Cost recognised in income statement:		
At beginning of year	**(141,434)**	(126,013)
Recognised during the year	**(147,543)**	(153,141)
Reversal of completed project	**137,199**	137,721
	(151,778)	(141,433)
Transfer:		
From development properties (Note 15)	**62,370**	15,036
To development properties (Note 15)	**—**	(18,399)
To inventories	**(6,657)**	(3,512)
Reversal of completed project	**(137,199)**	(137,721)
	(81,486)	(144,596)
At end of year	**64,120**	82,377
Interest cost capitalised during the year	**6,130**	4,133

23. RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Trade receivables	**455,826**	370,410	**3,878**	1,164
Less: provision for doubtful debts	**(55,913)**	(60,735)	**—**	—
	399,913	309,675	**3,878**	1,164
Dividends receivable	**1,500**	—	**14,942**	7,722
Deposits	**49,815**	41,886	**9,124**	3,724
Prepayments	**4,507**	16,329	**309**	236
Income tax receivable	**82,759**	80,006	**72,834**	76,115
Proceeds receivable from disposal of plantation assets to Al-Hadharah Boustead REIT	**400,150**	—	**—**	—
Proceeds receivable from disposal of property, plant and equipment	**24,005**	26,088	**—**	—
Advances to smallholders scheme	**14,472**	13,464	**—**	—
Other receivables	**49,472**	49,653	**5,240**	9,620
Amounts due from Subsidiaries	**—**	—	**560,546**	457,914
Amounts due from Associates	**65,568**	19,133	**37,021**	3,949
Amounts due from related companies	**22,446**	1,075	**7**	15
Amount due from holding corporation	**—**	3	**—**	—
	1,114,607	557,312	**703,901**	560,459

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 are stated after provision for doubtful debts of RM10.23 million (2005: RM7.18 million). Amounts due from Subsidiaries and Associates are unsecured, bear interest at a weighted average rate of 6.6% (2005: 6.3%) 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.

24. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Deposits with financial institutions	**17,300**	172,709	**—**	—
Cash held under Housing Development Accounts	**30,781**	29,726	**—**	—
Cash and bank balances	**142,472**	153,941	**8,263**	6,602
	190,553	356,376	**8,263**	6,602

The deposits are on call, and carry a weighted average interest rate of 3.2% (2005: 2.7%) per annum.

25. NON-CURRENT ASSETS HELD FOR SALE

The disposal of Lepan Kabu Estate and Lepan Kabu Palm Oil Mill to Al-Hadharah Boustead REIT as described in Note 42(a) is pending the completion of certain procedures and registration process as well as approvals from the relevant authorities. The Group envisaged that the procedures as well as approvals shall take place within the next 12 months. Accordingly, the carrying amount of these plantation assets totalling RM29.99 million has been re-classified to non-current assets held for sale.

26. SHARE CAPITAL

	2006		2005	
	'000	**RM'000**	'000	RM'000
Authorised:				
Ordinary shares of RM0.50 each	**1,000,000**	**500,000**	1,000,000	500,000
Issued and fully paid ordinary shares of RM0.50 each:				
At beginning of year	**592,089**	**296,045**	579,539	289,770
Issued for cash pursuant to ESOS	**6,180**	**3,090**	12,550	6,275
At end of year	**598,269**	**299,135**	592,089	296,045

26. SHARE CAPITAL (cont'd.)

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. The scheme had expired on 22 July 2006.

Exercise price	At 1/01/06 '000	Exercised '000	Expired '000	At 31/12/06 '000
RM1.34	6,307	(3,844)	(2,463)	—
RM1.38	485	(318)	(167)	—
RM1.50	3,097	(2,018)	(1,079)	—
	9,889	(6,180)	(3,709)	—

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

Exercise date	Exercise price RM	Fair value of ordinary shares RM	Number of share options '000	Consi-derations received RM'000
2006				
January to July 2006	1.34 – 1.50	1.83 – 1.99	6,180	8,620
Less par value of ordinary shares				(3,090)
Share premium				5,530

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

27. NON-DISTRIBUTABLE RESERVES

	Share Premium RM'000	Revaluation Reserve RM'000	Statutory Reserve RM'000	Other Reserves RM'000	Total RM'000
GROUP – 2006					
At 1 January 2006					
As previously stated	**388,907**	**73,897**	**71,928**	**121,639**	**656,371**
Effects of adopting FRS 140	**—**	**(11,484)**	**—**	**—**	**(11,484)**
As restated	**388,907**	**62,413**	**71,928**	**121,639**	**644,887**
Exchange fluctuation	**—**	**—**	**—**	**1,480**	**1,480**
Exchange reserve realised on disposal of Subsidiary	**—**	**—**	**—**	**(293)**	**(293)**
Dilution in Associates	**—**	**—**	**(2,396)**	**—**	**(2,396)**
Issue of shares pursuant to ESOS (Note 26)	**5,530**	**—**	**—**	**—**	**5,530**
Transfer during the year	**—**	**—**	**9,518**	**—**	**9,518**
Reserve realised during the year	**—**	**(21,056)**	**—**	**—**	**(21,056)**
At 31 December 2006	**394,437**	**41,357**	**79,050**	**122,826**	**637,670**
GROUP – 2005					
At 1 January 2005	379,026	81,917	92,249	136,562	689,754
Exchange fluctuation	—	—	—	(14,868)	(14,868)
Changes in group structure	—	—	—	(55)	(55)
Dilution in Associates	—	—	(13,392)	—	(13,392)
Issue of shares pursuant to ESOS (Note 26)	9,881	—	—	—	9,881
Transfer during the year	—	—	(6,929)	—	(6,929)
Reserve realised during the year	—	(8,020)	—	—	(8,020)
At 31 December 2005	388,907	73,897	71,928	121,639	656,371

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

28. RETAINED EARNINGS

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income accounts to frank the payment of dividends out of its entire retained earnings as at 31 December 2006.

29. NEGATIVE GOODWILL

	Group	
	2006 RM'000	2005 RM'000
Cost		
At 1 January, as previously stated	**(201,880)**	201,880
Effects of adopting FRS 3	**(201,880)**	—
At 1 January, as restated and as at 31 December	**—**	201,880
Accumulated amortisation and impairment		
At 1 January, as previously stated	**(182,516)**	(128,682)
Effects of adopting FRS 3	**182,516**	—
At 1 January, as restated	**—**	(128,682)
Amortisation during the year	**—**	(53,834)
At 31 December	**—**	(182,516)
Net carrying amount at 31 December	**—**	19,364

30. LONG TERM BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Term loans	**586,393**	499,420	**60,000**	80,000
Islamic bonds	**100,000**	160,000	**—**	—
Redeemable convertible bonds	**75,294**	75,294	**—**	—
Medium term notes	**—**	40,000	**—**	—
Bank guaranteed serial bonds	**250,000**	250,000	**250,000**	250,000
Bank guaranteed redeemable convertible bonds	**100,000**	100,000	**100,000**	100,000
	1,111,687	1,124,714	**410,000**	430,000
Less: repayable in 1 year (Note 33)	**(438,912)**	(250,383)	**(20,000)**	(20,000)
	672,775	874,331	**390,000**	410,000
Analysis by maturity:				
– within 1 year	**438,912**	250,383	**20,000**	20,000
– from 1 year to 2 years	**211,787**	399,704	**70,000**	90,000
– from 2 years to 5 years	**460,988**	374,627	**320,000**	220,000
– more than 5 years	**—**	100,000	**—**	100,000
	1,111,687	1,124,714	**410,000**	430,000

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 8.7% (2005: 8.2%) 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. All the other borrowings are also unsecured and bear interest at a weighted average rate of 5.6% (2005: 5.5%) per annum. Except for a loan of RM45 million which is denominated in US Dollars, all borrowings are denominated in Ringgit Malaysia.

30. LONG TERM BORROWINGS (cont'd.)

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 remain 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.

31. PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Current:				
Trade payables	**362,435**	339,130	**682**	435
Accrued interest	**20,475**	17,447	**11,444**	8,132
Accrued expenses	**82,548**	86,388	**2,001**	1,774
Deposit received	**40,461**	31,975	**—**	—
Advanced subsidies from government	**—**	38,250	**—**	—
Retention sum	**7,171**	29,550	**—**	—
Other payables	**87,112**	116,020	**2,575**	533
Amounts due to Subsidiaries	**—**	—	**597,083**	587,136
Amounts due to Associates	**458**	12,498	**396**	849
Amounts due to related companies	**3,548**	3,753	**—**	—
Amount due to holding corporation	**3,621**	3,611	**3,621**	3,611
	607,829	678,622	**617,802**	602,470
Non-current:				
Deposit from tenants	**20,012**	16,840	**—**	—
Redemption premium	**24,628**	19,189	**7,002**	7,227
	44,640	36,029	**7,002**	7,227

Amounts due to Subsidiaries are unsecured, bear interest at a weighted average rate of 8.3% (2005: 8.3%) per annum and have no fixed terms of repayment. Amounts due to the Associates and related companies are trade balances which are unsecured and interest free with repayment in accordance with normal trading terms. The amount due to holding corporation is unsecured and interest free.

32. DEFERRED TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
At 1 January				
As previously stated	**17,105**	27,902	**2,484**	(4,330)
Effects of adopting FRS 140	**(1,029)**	—	**—**	—
As restated	**16,076**	27,902	**2,484**	(4,330)
Acquisition of Subsidiaries (Note 17)	**—**	(13,005)	**—**	—
Recognised in the income statement	**(10,127)**	2,208	**(146)**	6,814
Credited to equity	**4,297**	—	**—**	—
At end of year	**10,246**	17,105	**2,338**	2,484
Presented after appropriate offsetting as follows:				
Deferred tax assets	**82,844**	55,100	**2,338**	2,484
Deferred tax liabilities	**(72,598)**	(37,995)	**—**	—
	10,246	17,105	**2,338**	2,484

32. DEFERRED TAXATION (cont'd.)

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 Revaluation RM'000	Capital Allowances RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group:				
At 1 January 2006				
As previously stated	**(6,400)**	**(29,484)**	**(2,111)**	**(37,995)**
Effects of adopting FRS 140	**(1,029)**	**—**	**—**	**(1,029)**
As restated	**(7,429)**	**(29,484)**	**(2,111)**	**(39,024)**
Recognised in the income statement	**(20,555)**	**(8,639)**	**(8,677)**	**(37,871)**
Credited to equity	**3,017**	**1,280**	**—**	**4,297**
At 31 December 2006	**(24,967)**	**(36,843)**	**(10,788)**	**(72,598)**
At 1 January 2005	(5,758)	(16,099)	(1,412)	(23,269)
Recognised in income statement	908	6,717	(699)	6,926
Acquisition of Subsidiaries	(1,550)	(20,102)	—	(21,652)
At 31 December 2005	(6,400)	(29,484)	(2,111)	(37,995)

	Tax Losses	Unabsorbed Capital Allowances RM'000	Others RM'000	Total RM'000
Deferred tax assets of the Group:				
At 1 January 2006	**42,787**	**3,091**	**9,222**	**55,100**
Recognised in the income statement	**(3,874)**	**11,863**	**19,755**	**27,744**
At 31 December 2006	**38,913**	**14,954**	**28,977**	**82,844**
At 1 January 2005	45,767	5,404	—	51,171
Acquisition of Subsidiaries	—	—	8,647	8,647
Recognised in income statement	(2,980)	(2,313)	575	(4,718)
At 31 December 2005	42,787	3,091	9,222	55,100

32. DEFERRED TAXATION (cont'd.)

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

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Unused tax losses	**116,918**	132,306	**—**	—
Unabsorbed capital allowances and agricultural allowances	**113,726**	77,471	**—**	—
Unabsorbed investment tax allowances	**—**	16,549	**—**	—
	230,644	226,326	**—**	—

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

33. BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Overdrafts	**86,937**	83,346	**46,019**	37,087
Bankers' acceptances	**113,423**	58,590	**—**	—
Revolving credits	**989,000**	746,250	**565,000**	440,750
Short term loans (Note 30)	**438,912**	250,383	**20,000**	20,000
	1,628,272	1,138,569	**631,019**	497,837

Borrowings other than the short term loans repayable within twelve months are unsecured and bear interest at weighted average rate of 4.8% (2005: 4.6%) per annum. The terms for short term loans are disclosed in Note 30.

34. 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 (2005: RM6,145,000). 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	
	2006 RM'000	2005 RM'000
Property, plant and equipment	**224**	238
Current assets	**5,532**	2,561
Current liabilities	**(2,034)**	(206)
Net assets	**3,722**	2,593
Revenue	**4,985**	3,680
Operating cost	**(3,176)**	(2,381)
Profit before taxation	**1,809**	1,299
Capital commitment	**—**	72

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

35. SEGMENTAL INFORMATION

	Plantation RM'000	Property Development RM'000	Property Investment RM'000	Finance & Investment RM'000	Trading RM'000	Manufacturing & Services RM'000	Elimination RM'000	Total RM'000
2006								
Revenue								
Group total sales	487,203	217,661	95,090	6,991	3,186,098	137,540	(16,257)	4,114,326
Inter-segment sales	—	—	(4,973)	—	(11,284)	—	16,257	—
External sales	487,203	217,661	90,117	6,991	3,174,814	137,540	—	4,114,326
Results								
Segment result								
– external	49,180	49,298	31,291	(3,643)	79,703	(7,061)		198,768
Interest expense	(33,677)	(4,031)	(43,276)	(53,868)	(36,879)	(12,011)	65,285	(118,457)
Interest income	40,974	1,705	17,956	168	1,488	6,974	(65,285)	3,980
Other investment (loss)/income	(5,000)	—	—	(5,869)	—	2,131		(8,738)
Share of results of Associates	2,463	—	(4,583)	71,914	(4,850)	16,093		81,037
	53,940	46,972	1,388	8,702	39,462	6,126	—	156,590
Gain on disposal of plantation assets								248,841
Impairment loss on plantation assets								(19,000)
Profit before tax								386,431
Taxation								(35,033)
Net profit for the year								351,398

35. SEGMENTAL INFORMATION (cont'd.)

	Plantation RM'000	Property Development RM'000	Property Investment RM'000	Finance & Investment RM'000	Trading RM'000	Manufacturing & Services RM'000	Total RM'000
2006							
Other information							
Segment assets	1,316,030	637,737	896,910	154,385	1,040,500	282,150	4,327,712
Associates	9,914	—	41,683	1,074,833	5,443	140,672	1,272,545
Unallocated corporate assets							165,603
Total assets							5,765,860
Segment liabilities	595,585	185,869	222,146	739,963	948,253	283,537	2,975,353
Unallocated corporate liabilities							83,622
Total liabilities							3,058,975
Capital expenditure	68,865	232	59,585	72	84,508	29,007	242,269
Depreciation	23,554	397	9,968	146	30,909	8,727	73,701
Other non-cash expenses	24,034	—	—	14,360	2,598	857	41,849

Notes to the Financial Statements

35. SEGMENTAL INFORMATION (cont'd.)

	Plantation RM'000	Property Development RM'000	Property Investment RM'000	Finance & Investment RM'000	Trading RM'000	Manufacturing & Services RM'000	Elimination RM'000	Total RM'000
2005								
Revenue								
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
Results								
Segment result								
– external	50,047	75,533	12,019	(3,742)	32,193	(1,556)	—	164,494
Interest expense	(25,948)	(2,176)	(40,899)	(39,394)	(17,047)	(5,358)	21,153	(109,669)
Interest income	8,160	1,331	10,432	103	2,272	3,042	(21,153)	4,187
Other investment income	—	—	—	30,015	—	—	—	30,015
Share of results of Associates	1,178	—	(766)	65,214	2,902	13,402	—	81,930
	33,437	74,688	(19,214)	52,196	20,320	9,530	—	170,957
Gain on disposal of plantation assets								183,236
Impairment loss on plantation assets								(83,000)
Profit before tax								271,193
Taxation								(40,746)
Net profit for the year								230,447

35. SEGMENTAL INFORMATION (cont'd.)

	Plantation RM'000	Property Development RM'000	Property Investment RM'000	Finance & Investment RM'000	Trading RM'000	Manufacturing & Services RM'000	Total RM'000
2005							
Other information							
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 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 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 expenses	87,885	—	—	19,119	4,101	897	112,002

36. COMMITMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Authorised and contracted:				
Additional investment in an Associate	**70,961**	50,000	**70,961**	50,000
Capital expenditure	**135,000**	135,000	**48,600**	—
	205,961	185,000	**119,561**	50,000
Authorised but not contracted:				
Additional investment in Associate and Subsidiary	**201,000**	50,000	**150,000**	—
Capital expenditure	**197,000**	123,000	**44,000**	12,700
	398,000	173,000	**194,000**	12,700

In addition to the above, the Group and the Company is also expected to invest approximately RM167 million towards the Proposed Acquisition and subscription of the Proposed Rights Issue of PSC Industries Berhad referred to in Note 42(c) to the financial statements.

37. SALE AND LEASEBACK OF PLANTATION ASSETS

On 29 December 2006, the Group sold its beneficial rights, title and interest in eight oil palm estates and a palm oil mill (Plantation Assets) to an Islamic plantation real estate investment trust known as Al-Hadharah Boustead REIT. The Group also entered into several Ijarah agreements with the trustee of Al-Hadharah Boustead REIT to rent the Plantation Assets for a cumulative tenure of up to thirty years. The Ijarah agreements which commence on 1 January 2007 will be for a lease period of three years renewable for five additional terms of not more than three years each. The Ijarah arrangement for the first two tenancy periods of three years each totalling six years is non-cancellable.

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

37. SALE AND LEASEBACK OF PLANTATION ASSETS (cont'd.)

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

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Within 1 year	**101,066**	68,909	**3,658**	3,853
Later than 1 year and not later than 5 years	**376,876**	249,818	**10,647**	14,305
Later than 5 years	**920,556**	101,231	**—**	—
	1,398,498	419,958	**14,305**	18,158

38. CONTINGENT ASSET

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

39. 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) A Subsidiary has an obligation to settle a bank loan totaling RM30 million which was assigned to a fellow Subsidiary that was subsequently disposed in the previous financial year. Subsequent to year end, the obligation has lapsed as the bank loan was fully settled on 31 January 2007.

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Purchase of goods from Kao (M) Sdn Bhd, an Associate	**9,598**	16,904	**—**	—
Purchase of goods from Johan Ceramics Berhad, a subsidiary of LTAT	**8,953**	10,118	**—**	—
Purchase of goods from UAC Berhad, an Associate	**24,987**	25,281	**—**	—
Agricultural research and advisory services paid to Applied Agricultural Resources Sdn Bhd, an Associate	**5,665**	6,148	**16**	—
Insurance premium paid to Royal & Sun Alliance Insurance (M) Berhad, an Associate	**5,912**	4,948	**80**	83
Insurance commission received from Royal & Sun Alliance Insurance (M) Berhad, an Associate	**1,727**	1,246	**—**	—
Stockist commission received from Riche Monde Sdn Bhd, an Associate	**2,537**	3,093	**—**	—
Rental of office space to:				
– Affin Holdings Berhad group	**12,852**	12,353	**—**	—
– Other Associates	**3,384**	2,999	**—**	—
Professional fees paid to MAA Arkitek in which our Director, Dato' Ghazali Mohd Ali is a member	**1,974**	2,558	**—**	—
Sale of fuel to UAC Berhad, an Associate	**1,432**	—	**—**	—
Sale of fuel to Johan Ceramics Berhad, a subsidiary of LTAT	**278**	—	**—**	—
Sale of fuel to PERNAMA, a subsidiary of LTAT	**1,134**	—	**—**	—
Sale of fuel to Boustead Naval Shipyard Sdn Bhd, an Associate	**2,408**	—	**—**	—

40. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd.)

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Sale of fuel to Power Cable Sdn Bhd, a subsidiary of LTAT	**92**	—	—	—
Development of Hospital Angkatan Tentera for Perbadanan Perwira Harta Malaysia, a subsidiary of LTAT	**78,397**	—	—	—
Professional fees paid to Azzat & Izzat, a legal firm in which our Director, Datuk Azzat Kamaludin is a member	**544**	1,495	**157**	13
Professional fees paid to Affin Investment Bank, a subsidiary of LTAT	**328**	298	—	33
Professional fees paid to Affin Bank, a subsidiary of LTAT	—	30	—	—

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 (2005: 7,256) hectares of the leasehold plantation land as at 31 December 2006. Balances at year end with these directors are as follows:

	Group	
	2006 RM'000	2005 RM'000
Deposit paid	**3,200**	3,200
Retention sum and balance due	**(2,169)**	(2,169)

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.

41. HOLDING COMPANY

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

42. SIGNIFICANT EVENTS

(a) During the year, the Group announced its intention to establish and list an Islamic plantation real estate investment trust to be known as Al-Hadharah Boustead REIT (Boustead REIT), and the proposed sale of certain plantation assets to Boustead REIT for a total consideration of RM471.9 million and the proposed leaseback of these plantation assets pursuant to an agreement entered with CIMB Trustee Berhad acting as trustee for Boustead REIT (Proposed Ijarah Arrangements).

As at year end, the sale of these plantation assets to Boustead REIT (with the exception of Lepan Kabu Estate and Lepan Kabu Palm Oil Mill whereby the beneficial ownership will be transferred to the trustee of Boustead REIT within six months from the date of listing of the fund) totalling RM400.15 million was duly completed and the sale consideration comprising cash of RM219.90 million and 180.25 million new units of Boustead REIT was received subsequent to year end. Al-Hadharah Boustead REIT was duly listed on the official list of Bursa Malaysia Securities Berhad Main Board on 8 February 2007.

(b) On 6 November 2006, Boustead Holdings Berhad entered into a conditional sale and purchase agreement with PSC Asset Holdings Sdn Bhd, a wholly owned subsidiary of Penang Shipbuilding & Construction Sdn Bhd which in turn is a wholly owned subsidiary of PSC Industries Berhad to acquire Menara PSCI which is situated in Pulau Pinang for a cash consideration of RM54 million. The proposed acquisition is subject to the approvals of Foreign Investment Committee (FIC) and Securities Commission (SC).

(c) On 15 December 2006, PSC Industries Berhad (PSCI), a 32.5% Associate of the Company announced its Proposed Restructuring Scheme which is inter-conditional on each other, and involving:

(i) a capital reconstruction (Proposed Capital Reconstruction) comprising, inter alia, the proposed share capital reduction of RM0.80 per share and proposed share capital consolidation whereby five ordinary shares of RM0.20 each shall constitute one ordinary share of RM1.00 each;

(ii) proposed settlement of liabilities due and owing by PSCI and its subsidiary, Penang Shipbuilding & Construction Sdn Bhd (PSC) to their respective scheme creditors (Proposed Debt Settlement) via the issue of 134.7 million new PSCI shares (Settlement Shares); and

(iii) the Proposed rights issue of 69,633,338 new ordinary shares of RM1.00 each in PSCI (Proposed Rights Issue) on the basis of two rights shares for every one existing ordinary share of RM1.00 each held subsequent to the Proposed Capital Reconstruction.

42. SIGNIFICANT EVENTS (cont'd.)

In connection with the above, the Company had on 15 December 2006 given its undertaking to the board of directors of PSCI to acquire from the scheme creditors up to 134.7 million Settlement Shares (Proposed Acquisition) at a consideration price of RM1.00 per share (Renounced Shares). Following the completion of the proof of debt exercise by PSCI, the number of Renounced Shares was subsequently revised to 144.01 million. The Company also intends to fully subscribe for cash its entitlement under the Proposed Rights Issue totalling 22.63 million ordinary shares at an issue price of RM1 per share.

Upon completion of the Proposed Capital Reconstruction and the Proposed Acquisition, the Company's shareholding in PSCI may increase up to 71.62%. Accordingly, the Company would be obliged to undertake a mandatory general offer (MGO) under the Malaysian Code on Take-Overs and Mergers, 1998 for the remaining shares in PSCI not already owned by the Company. In this respect, the Company had on 22 January 2007, submitted a waiver application to SC (Proposed Exemption).

The Proposed Acquisition of up to 144.01 million Renounced Shares is subject to the approvals of the shareholders of the Company, the SC (on behalf of FIC) for the Proposed Acquisition and the SC for the Proposed Exemption.

(d) Pursuant to the agreement to acquire from Affin Bank Berhad 36,000,001 ordinary shares of RM1.00 each representing approximately 27.7% equity interest in Boustead Naval Shipyard Sdn Bhd (BNS) for a cash consideration of RM150.12 million which was duly approved by the Company's shareholders on 30 March 2006, the Company acquired the 1st tranche comprising 12 million ordinary shares or 9.23% of BNS on 29 December 2006 for a cash consideration of RM50.04 million and a 5% holding cost.

43. SUBSEQUENT EVENTS

(a) Subsequent to the year end, the Group's wholly owned Subsidiary, Boustead Plantations Berhad entered into a share sale agreement with HICOM Holdings Berhad for the acquisition of 2,296,000 ordinary shares of RM1.00 each representing 25% equity stake in Boustead Heah Joo Seang Sdn Bhd for a cash consideration of RM42.5 million. The proposed acquisition which requires the approval of the Foreign Investment Committee when completed will raise the Group's effective interest in Boustead Heah Joo Seang Sdn Bhd to 95%.

(b) On 13 October 2006, the Group entered into a sale & purchase agreement to acquire 6,300,000 ordinary shares of RM1.00 each representing approximately 4.85% equity interest in PSC-Naval Dockyard Sdn Bhd now renamed Boustead Naval Shipyard Sdn Bhd. The purchase consideration of RM21.55 million was to be paid by way of monthly instalments over a three year period. Nevertheless, the acquisition was completed on 16 February 2007 when the payment terms were varied and the balance consideration totalling RM15.92 million was effected on that date.

44. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements are authorised for issue by the Board of Directors on 1 March 2007.

Boustead Group

Name of Company*	Principal Activities	Paid-Up Capital	Group Interest %	
			2006	2005
As at 31 December 2006				
SUBSIDIARIES				
Boustead Plantations Berhad	Investment holdings & oil palm plantations	RM124,521,383	100	100
Boustead Properties Berhad	Investment holdings, oil palm plantations & property investments	RM255,199,031	58	56
Boustead Rimba Nilai Sdn Bhd	Oil palm plantations	RM100,000,000	100	100
Bounty Crop Sdn Bhd	Investment holding	RM70,200,000	100	100
Boustead Segaria Sdn Bhd	Oil palm plantations	RM18,000,520	100	100
Boustead Emastulin Sdn Bhd	Oil palm plantations & automobile dealership	RM17,000,000	100	100
Boustead Credit Sdn Bhd	Hire purchase & lease financing	RM15,000,000	100	100
Boustead Eldred Sdn Bhd	Oil palm plantations	RM15,000,000	100	100
Boustead Engineering Sdn Bhd	Engineering equipment & chemicals distributor	RM8,000,000	100	100
Boustead Trunkline Sdn Bhd	Oil palm plantations	RM7,000,000	100	100
Boustead Sutera Sdn Bhd	Oil palm plantations	RM4,250,000	100	100
Boustead Global Trade Network Sdn Bhd	Consumer goods distributor	RM3,000,000	100	100
Boustead Gradient Sdn Bhd	Oil palm & coconut plantations	RM3,000,000	100	100
Boustead Weld Quay Sdn Bhd	Property investment	RM2,000,000	100	100
Boustead Emasewa Sdn Bhd	Car rental	RM1,625,159	100	100
Boustead Travel Services Sdn Bhd	Travel agent	RM1,500,000	100	100
Boustead Estates Agency Sdn Bhd	Plantation management	RM1,050,000	100	100
Boustead Management Services Sdn Bhd	Management services	RM1,000,000	100	100
Boustead Information Technology Sdn Bhd	Computer service & systems design	RM1,000,000	100	100
Boustead Construction Sdn Bhd	Project management	RM1,000,000	100	100
Boustead Advisory and Consultancy Services Sdn Bhd	Plantation management	RM500,002	100	100
Boustead Shipping Agencies Sdn Bhd	Shipping agent	RM200,000	100	100
Boustead Solandra Sdn Bhd	Oil palm & teak plantations	RM200,000	100	100

Name of Company*	Principal Activities	Paid-Up Capital	Group Interest % 2006	Group Interest % 2005
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
Boustead Silasuka Sdn Bhd	Ceased operations	RM10,000,000	100	100
Boustead Sungai Manar Sdn Bhd	Ceased operations	RM4,500,000	100	100
Boustead Building Materials Sdn Bhd	Building products distributor	RM6,000,000	95	95
PT Dendymarker Indahlestari+**	Oil palm plantations	Rp150,700,000,000	90	65
Minat Warisan Sdn Bhd	Investment holding	RM50,000,000	88	55
PT Anam Koto+**	Oil palm plantations	Rp275,700,000,000	88	52
Boustead Kanowit Oil Mill Sdn Bhd	Processing of oil palm	RM30,000,000	70	85
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
Boustead Pelita Kanowit Sdn Bhd	Oil palm plantations	RM34,560,000	60	60
Boustead Pelita Tinjar Sdn Bhd	Oil palm & teak plantations	RM48,000,000	60	60
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM124,960,000	66	66
Boustead Realty Sdn Bhd	Property investments	RM100,000,000	58	56
Boustead Weld Court Sdn Bhd	Property investments	RM20,000,000	58	56
U.K. Realty Sdn Bhd	Ceased operations	RM40,000,000	58	56
Mutiara Rini Sdn Bhd	Property developer	RM50,000,000	58	56
Boustead Curve Sdn Bhd	Property investment	RM150,000,000	58	56
Boustead Hotels & Resorts Sdn Bhd	Hotel operations	RM75,000,000	58	56
Boustead Retail Network Sdn Bhd	Ceased operations	RM250,000	58	56
Boustead Linear Corporation Sdn Bhd	Manufacture of chilled water	RM12,000,000	35	34

Boustead Group

Name of Company*	Principal Activities	Paid-Up Capital	Group Interest %	
			2006	2005
As at 31 December 2006				
SUBSIDIARIES (cont'd.)				
Boustead Petroleum Sdn Bhd	Investment holdings	RM82,750,000	57	57
Boustead-Anwarsyukur Estate Agency Sdn Bhd	Plantation management	RM500,000	51	51
Jernih Rezeki Sdn Bhd	Property developer	RM5,000,000	51	51
PT Boustead Indonesia Management Consultancy Services+**	Plantation management	Rp1,836,800,000	51	51
Boustead Oil Bulking Sdn Bhd	Bulking of edible oil	RM7,000,000	51	51
Boustead Petroleum Marketing Sdn Bhd**	Marketing of petroleum products	RM83,300,000	40	40
Tatab Concessioners Sdn Bhd	Investment holdings	RM5,000	100	100
Idaman Pharma Manufacturing Sdn Bhd	Manufacture and distribution of pharmacautical products	RM1,000,000	51	51
Limaran Logistics Sdn Bhd	Ceased operations	RM2	100	100
Boustead Sissons Paints China Sdn Bhd	Ceased operations	RM2,200,000	42	42
Akademi Pendidikan Pemandu (M) Sdn Bhd	Ceased operations	RM5,000,000	44	43
Sungai Jernih Plantations Sdn Bhd	Ceased operations~	RM98,901,610	100	100
Perwira Plantations Sdn Bhd	Ceased operations~	RM57,120,000	100	100
Syarikat Kemajuan Bumidaya (Sabah) Sdn Bhd	Ceased operations&	RM1,346,408	100	100
Gradient Holdings Sdn Bhd	Ceased operations&	RM10,000,000	100	100
Syarikat Hing Lee Plantations Sdn Bhd	Ceased operations&	RM15,000,000	100	100
Yaw Lim Plantations Sdn Bhd	Ceased operations&	RM6,000,000	100	100
Segamaha Development Sdn Bhd	Ceased operations&	RM40,000,000	100	100
Progress Castings (1982) Sdn Bhd	Ceased operations&	RM2,000,000	100	100
Holiday Bath Sdn Bhd	Ceased operations&	RM1,750,000	100	100
Kedah Oil Palms Berhad	Ceased operations&	RM1,000,000	100	100
Ladang Segaria Sdn Bhd	Ceased operations&	RM13,400,000	100	100
Luboh Anak Batu Estates Sdn Bhd	Ceased operations&	RM1,950,000	58	56
Sissons Paints Co Ltd Shaoxing@**	Ceased operations	RMB8,693,329	—	42

Name of Company*	Principal Activities	Paid-Up Capital	Group Interest %	
			2006	2005
As at 31 December 2006				
ASSOCIATES				
Pavilion Entertainment Centre (M) Sdn Bhd	Property development	RM3,000,000	50	50
Drew Ameroid (Malaysia) Sdn Bhd	Industrial chemicals distributor	RM20,000	50	50
Asia Smart Cards Centre (M) Sdn Bhd	Smart card personalisation	RM100,000	50	50
Wah Seong Boustead Co Ltd^	Consumer & building products distributor	Kyat 2,760,000	50	50
Riche Monde Sdn Bhd	Wine & spirits distributor	RM5,600,000	50	50
Applied Agricultural Resources Sdn Bhd	Agricultural research & advisory services	RM750,000	50	50
Kao (Malaysia) Sdn Bhd	Toiletries, household products distributor	RM16,000,000	45	45
Boustead Bulking Sdn Bhd	Bulking of edible oil	RM1,000,000	43	43
Boustead Naval Shipyard Sdn Bhd	Repair and maintenance of naval & merchant ships	RM130,000,003	41	31
UAC Berhad	Fibre cement products manufacturer	RM74,335,000	39	39
Royal & Sun Alliance Insurance (M) Bhd	General insurance	RM107,267,790	35	35
PSC Industries Berhad	Investment holding, property holding & development	RM174,083,000	33	33
K'Line Kinkai (Malaysia) Sdn Bhd	Shipping agent	RM500,000	30	30
Damansara Entertainment Centre Sdn Bhd	Property investment	RM17,000,000	26	26
Affin Holdings Berhad	Financial services group	RM1,252,913,000	21	22
Cadbury Confectionery Malaysia Sdn Bhd	Chocolate & sugar confectionery manufacturer	RM8,185,000	25	25
Perimekar Sdn Bhd	Marketing, supplying, maintenance and all other services related to submarines and surface vessels	RM1,000,000	20	20

* Incorporated in Malaysia unless otherwise indicated
** Subsidiaries not audited by Ernst & Young Global
*** Incorporated in Brunei
+ Incorporated in Indonesia
^ Incorporated in Myanmar
~ Commenced member's voluntary liquidation in 2006
@ Incorporated in China
& Commenced members' voluntary liquidation in 2004

Additional Disclosure

(Pursuant to the Listing Requirements)

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

1. **UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL**
   There were no proceeds received during the current financial year.

2. **SHARE BUY-BACKS DURING THE FINANCIAL YEAR**
   The Company did not carry out any share buy-backs exercise during the financial year ended 31 December 2006.

3. **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED**
   The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2006. However, as at 31 December 2006, the Company had issued 6.18 million ordinary shares of RM0.50 each in the Company pursuant to the exercise of options granted under ESOS as set out in Note 26 of the Annual Report.

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 2006.

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 2006.

6. **NON-AUDIT FEES**

	Group RM'000	Company RM'000
Non-audit fees paid to external auditors for the financial year ended 31 December 2006	25	25

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 2006.

8. PROFIT GUARANTEE

There was no profit guarantees given by the Company and its Subsidiaries during the financial year ended 31 December 2006.

9. REVALUATION POLICY OF LANDED PROPERTIES

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

10. MATERIAL CONTRACTS

(a) During the year, the Group established an Islamic plantation real estate investment trust known as Al-Hadharah Boustead REIT (Boustead REIT). The plantation assets were sold to the Boustead REIT for a total consideration of RM471.9 million and these plantation assets were leased back pursuant to an agreement entered with CIMB Trustee Berhad acting as trustee of Boustead REIT (Ijarah Arrangements).

As at year end, the sale of these plantation assets to Boustead REIT (with the exception of Lepan Kabu Estate and Lepan Kabu Oil Mill whereby the beneficial ownership will be transferred to the trustee of Boustead REIT within six month from the date of listing of the fund) totaling RM400.15 million was duly completed and the sale consideration comprising cash of RM219.90 million and 180.25 million new units of Boustead REIT was received on 9 February 2007. The Al-Hadharah Boustead REIT was duly listed on the official list of Bursa Malaysia Securities Berhad on 8 February 2007.

(b) Mutiara Rini Sdn Bhd (MRSB), a wholly owned subsidiary of Boustead Properties Berhad had on 14 February 2006 entered into a sale and purchase agreement with Lembaga Tabung Angkatan Tentera (LTAT) for the disposal of 26-storey office tower to be erected on a freehold development land held under H.S.(D) 183247, PT No. 44577, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor by MRSB to LTAT for a cash consideration of RM168.33 million.

(c) On 4 May 2006, the Company's Subsidiary, Boustead Building Materials Sdn Bhd was awarded a contract by Perbadanan Perwira Harta Malaysia, a wholly-owned corporation of Lembaga Tabung Angkatan Tentera to design, construct, equip, commission and maintain an army hospital for a contract sum of RM119.5 million. The period for the contract is for twelve months from 4 May 2006 and shall expire on 3 May 2007.

There were no other material contracts which had been entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2006 or entered into since the end of the previous financial year.

Recurrent Related Party Transactions

At the Annual General Meeting held on 30 March 2006, 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 2006 pursuant to the Shareholders' Mandate are disclosed as follows:

Related Party	Interested Director/ Connected Person	Nature of Transactions	Value of Transactions RM'000
Boustead Properties Berhad Group	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Sale of fertilisers by Boustead Engineering Sdn Bhd	5,146
	Tan Sri Dato' Lodin Wok Kamaruddin	Advertising services provided by Boustead Advertising Sdn Bhd	135
	Hj. Johari Muhamad Abbas Datuk Azzat Kamaludin	General and plantation Management services by Boustead Holdings Berhad and Boustead Estates Agency Sdn Bhd	1,401
	Dato' Ghazali Mohd Ali	Office rental paid by Boustead Holdings Berhad Group	3,947
		Property management services provided to Boustead Holdings Berhad	148
		Office rental paid by Boustead Naval Shipyard Sdn Bhd	606
		Provision of renovation works provided by Boustead Building Materials Sdn Bhd	5,914
		Provision of computer services by Boustead Information Technology Sdn Bhd	211
		Purchase of fresh fruit bunches by Boustead Holdings Berhad Group	39,693

Related Party	Interested Director/ Connected Person	Nature of Transactions	Value of Transactions RM'000
Boustead Building Materials Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Management services provided by Boustead Holdings Berhad	87
		Provision of renovation works to Boustead Petroleum Marketing Sdn Bhd	21,300
		Provision of forwarding services by Boustead Shipping Agencies Sdn Bhd	735
Boustead Sissons Paints Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Management services provided by Boustead Holdings Berhad and Boustead Estates Agency Sdn Bhd	391
		Purchase of paints by Boustead Building Materials Sdn Bhd and Boustead Petroleum Marketing Sdn Bhd	10,985
		Provision of warehousing services by Boustead Global Trade Network Sdn Bhd	86
		Provision of computer services by Boustead Information Technology Sdn Bhd	167
		Purchase of engineering equipment and chemical from Boustead Engineering Sdn Bhd	55

Recurrent Related Party Transactions

Related Party	Interested Director/ Connected Person	Nature of Transactions	Value of Transactions RM'000
Boustead Petroleum Marketing Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Provision of computer services and procurement of computer hardware by Boustead Information Technology Sdn Bhd	3,114
	Tan Sri Dato' Lodin Wok Kamaruddin	Purchase of fuel by Boustead Plantations Berhad	171
		Advertising services provided by Boustead Advertising Sdn Bhd	494
Boustead Naval Shipyard Sdn Bhd	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Provision of renovation works by Boustead Building Materials Sdn Bhd	116
	Tan Sri Dato' Lodin Wok Kamaruddin	Provision of shipping services by Boustead Shipping Agencies Sdn Bhd	92
		Sale of fuel by Boustead Petroleum Marketing Sdn Bhd	2,407
Affin Holdings Berhad Group	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Office rental for Menara Boustead and Menara Affin paid to Boustead Realty Sdn Bhd and Boustead Properties Berhad	12,852
	Tan Sri Dato' Lodin Wok Kamaruddin	Professional fees paid to Affin Holdings Berhad Group	328
	Hj. Johari Muhamad Abbas		
	Datuk Azzat Kamaludin		

Related Party	Interested Director/ Connected Person	Nature of Transactions	Value of Transactions RM'000
Irat Hotel & Resorts Sdn Bhd	Tan Sri Dato' Lodin Wok Kamaruddin Dato' Ghazali Mohd Ali	Office rental for Menara Boustead paid to Boustead Realty Sdn Bhd	51
UAC Berhad	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	Office rental for Menara Boustead paid to Boustead Realty Sdn Bhd	391
	Tan Sri Dato' Lodin Wok Kamaruddin	Sale of trading goods to Boustead Building Materials Sdn Bhd	23,618
	Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Sale of fuel by Boustead Petroleum Marketing Sdn Bhd	1,419
Perimekar	Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat Tan Sri Dato' Lodin Wok Kamaruddin	Office rental for Menara Boustead paid to Boustead Realty Sdn Bhd	134
Johan Ceramics Berhad	Tan Sri Dato' Lodin Wok Kamaruddin Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Sale of trading goods to Boustead Building Materials Sdn Bhd	9,982
Arkitek MAA	Dato' Ghazali Mohd Ali	Architectural services to Mutiara Rini Sdn Bhd and Boustead Curve Sdn Bhd	1,974
Azzat & Izzat	Datuk Azzat Kamaludin	Provision of legal services to Boustead Holdings Berhad Group	857

Group Property Portfolio

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
71 Jalan Raja Chulan, Kuala Lumpur	0.11	Office complex	Freehold	23	21.6
69 Jalan Raja Chulan, Kuala Lumpur	0.43	Office complex	Freehold	21	125.0
80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office complex	Freehold	8	118.5
Lot 923 Jalan Ampang, Kuala Lumpur	1.23	Condominium under construction	Freehold		29.1
16 Jalan Bukit Tunku, Kuala Lumpur	0.34	Bungalow	Freehold	52	1.8
24 Pesiaran Bukit Tunku, Kuala Lumpur	0.28	Bungalow	Freehold	45	1.7
6 Jalan Girdle, Kuala Lumpur	0.32	Bungalow	Freehold	43	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		1.1
15 Jalan Gudang, Shah Alam, Selangor	0.40	Industrial land & building	1970 – 2069	11	3.4
11 Jalan Ragum, Shah Alam, Selangor	1.21	Industrial land & building	1987 – 2086	19	5.6
Balau Estate, Semenyih, Selangor	507	Oil palm estate	Freehold		9.0
Lots 723 & 724, Section 8, Petaling Jaya, Selangor	0.17	Industrial land & building	1970 – 2069	21	3.6

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Lot 9, Section 7, Pulau Indah Industrial Park, Port Kelang	1.88	Industrial land	1995 – 2094		2.8
1 Weld Quay, Georgetown, Penang	0.05	Commercial land & building	Freehold	11	0.4
1A Weld Quay, Penang (Lot 723, 724, 725)	0.26	Industrial land & buildings	Freehold	22	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	32	2.7
Lot 90, Semambu Industrial Estate, Pahang	0.41	Industrial land	1975 – 2041	7	2.4
Lots 22 & 25, Section 1, Bandar Indera Mahkota, Pahang	0.59	Industrial land & building	1996 – 2062	7	3.7
Lepan Kabu Estate, Kuala Krai, Kelantan	2,038	Oil palm estate held for sale	Freehold		30.0
21 Jalan Padu, Tampoi Industrial Estate, Johor Bahru	0.61	Industrial land & building	1975 – 2035	31	1.5
Mutiara Rini, Kulai, Johor	415.61	Development land	1912 – 2911		11.0
17-21 Jalan Bukit Bintang	0.31	Hotel	Freehold	9	108.5
The Curve, No 6, Jalan PJU 7/3, Mutiara Damansara, Selangor	5.04	Commercial land & building	Freehold	2	370.8
HSDN 183241 PT 44582, Mutiara Damansara, Mukim Sungai Buluh, Selangor	0.61	Commercial land building	Freehold	2	14.7

Group Property Portfolio

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Kulai Young Estate, Kulai, Johor	206	Individual land & quarry	Freehold		3.7
Lot 22, Sedco Industrial Estate, Kota Kinabalu, Sabah	0.50	Industrial land & building	1975 – 2034	28	1.6
Km 1.4 Jalan Leila, Sandakan, Sabah	0.35	Industrial land & building	1889 – 2888	24	1.9
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	12	2.5
No 4, Cecil Rae Drive, Ipoh, Perak	0.14	Service Station	Freehold	36	0.6
33-A, Jln Changkat Jong, Teluk Intan, Perak	0.16	Service Station	Freehold	38	0.4
88 Jln Kampar, Ipoh, Perak	0.23	Service Station	Freehold	37	1.1
19 Jln Kamunting, Taiping, Perak	0.12	Service Station	Freehold	36	0.3
82 Jln Kuala Kangsar, Ipoh, Perak	0.22	Service Station	Freehold	37	0.7
175 Jln Lahat, Ipoh, Perak	0.14	Service Station	Freehold	37	0.5
Lot 218-222, Jln Siputeh, Pusing, Perak	0.08	Service Station	Freehold	36	0.2
Lot 6721, Jln Raja Chulan, Kuala Kangsar, Perak	0.09	Service Station	Freehold	37	0.3
Lot 7390, Jln Besar, Sungai Siput, Perak	0.11	Service Station	Freehold	35	0.2

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Lot 1635 Jln Damansara, P.J., Selangor	0.29	Service Station	Freehold	16	1.8
Pers. Sultan Ibrahim, Klang, Selangor	0.12	Service Station	Freehold	41	1.1
Lot 35001, Pers. Tengku Ampuan Rahimah, Klang, Selangor	0.5	Service Station	Freehold	14	3.4
Lot 25685, Jln SS2/60, P.J., Selangor	0.19	Service Station	Freehold	22	5.4
Lot 4973, Jln SS 14/2, Subang Jaya, P.J., Selangor	0.1	Service Station	Freehold	24	0.8
Lot PT 3, Jln Lpgn. Terbang Subang, Subang, Selangor	0.4	Service Station	Freehold	12	4.6
Lot PT 9181 & 9182, Bdr. Sri Damansara, K.L.	0.3	Service Station	Freehold	12	3.6
Lot PT 14342, Pers. Tengku Ampuan, S.A., Selangor	0.56	Service Station	Freehold	11	5.5
2, Tmn Alam Megah, Shah Alam, Selangor	0.44	Service Station	Freehold	11	3.8
Lot PT 21534/35, Bdr. Sri Damansara, K.L.	0.28	Service Station	Freehold	11	4.8
Lot PT 46120, Jln Bkt. Kemuning, S.A., Selangor	0.4	Service Station	Freehold	8	3.6
No 70, Tmn Sri Muda, S.A., Selangor	0.29	Service Station	Freehold	9	4.4

Group Property Portfolio

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Lot 11840, Jln Gambang, Kuantan, Pahang	0.13	Service Station	Freehold	16	0.6
Lot No. 10 Sec. 8, Raub, Pahang	0.16	Service Station	Freehold	35	1.9
A-268, Jln Teluk Sesek, Kuantan, Pahang	0.23	Service Station	Freehold	17	0.6
Jln Mentakab, Temerloh, Pahang	0.23	Service Station	Freehold	21	0.7
49 Jln Bakau Chondong, Batu Pahat, Johor	0.21	Service Station	Freehold	20	0.6
4 Jln Khalidi, Muar, Johor	0.18	Service Station	Freehold	39	0.4
67 Jln Rahmat, Batu Pahat, Johor	0.13	Service Station	Freehold	35	0.5
179 Jln Rogayah, Batu Pahat, Johor	0.17	Service Station	Freehold	35	0.6
Lot PTD 85377, Tmn Molek, Johor	0.22	Service Station	Freehold	13	1.6
Lot 1828, Pasir Gudang Highway, Tampoi, Johor	1.34	Service Station	Freehold	13	4.5
Lot 1279, Pasir Gudang Highway, Plentong, Johor	2.73	Service Station	Freehold	12	4.5
Lot PTD 64867, Jln Purnama 6, Johor	0.39	Service Station	Freehold	10	5.0
Lot PTD 43769, Jln Sena, Masai, Johor	0.18	Service Station	Freehold	11	1.1
Lot PTD 101051/52, Bdr. Baru Permas Jaya, Johor	0.32	Service Station	Freehold	10	4.2

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Lot PTD 116060, Mk. Plentong, Masai, Johor	0.53	Service Station	Freehold	4	10.1
Lot PT 5419, Sungai Petani, Kedah	0.12	Service Station	Freehold	32	0.7
Lot 217 & 2279, Sungai Petani, Kedah	0.38	Service Station	Freehold	8	3.7
1/4 Jln Pantai, Port Dickson, N.S.	0.19	Service Station	Freehold	39	0.4
Lot 214, Jln Seremban, Tampin, N.S.	0.17	Service Station	Freehold	38	0.6
No. 3-F, MK 13, Jln Air Itam, P.P.	0.18	Service Station	Freehold	37	0.7
127 Jln Anson, P.P.	0.16	Service Station	Freehold	36	1.0
505 Jln Sungai Rambai, Bkt Mertajam, P.P.	0.08	Service Station	Freehold	37	0.6
Lot 1642, Jln Kulim, Bkt Mertajam, P.P.	0.07	Service Station	Freehold	10	4.3
1084 Jln Baru, Prai, P.P.	0.4	Service Station	Freehold	8	5.0
Lot 1253, 539 Batu 3, Jln Ipoh, K.L.	0.17	Service Station	Freehold	20	1.5
Lot PT 4606, Jln Klang Lama, K.L.	0.16	Service Station	Freehold	16	1.6
78 Jln Maarof, Bangsar, K.L.	0.17	Service Station	Freehold	13	1.6
Lot 8267-8272, Jln Pantai Baru, K.L.	0.1	Service Station	Freehold	36	1.0
Lot 2083, Kota Tinggi, Johor	0.19	Service Station	Freehold	9	3.8

Group Property Portfolio

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Lot 9375, Tmn Overseas Union, K.L.	0.24	Service Station	Freehold	16	2.1
Lot 3313, Jln Sentul, K.L.	0.1	Service Station	Freehold	17	0.9
Lot 16699, Tmn Cheras, K.L.	0.14	Service Station	Freehold	20	0.7
PT25-32, Tmn City, K.L.	0.23	Service Station	Freehold	14	2.9
Lot 3280 & 3281, 98 Jln Genting Klang, K.L.	0.46	Service Station	Freehold	12	3.7
No. 15534 Mukim Tebrau, J.B., Johor	0.14	Vacant land	Freehold		0.4
No. 38981, Mukim Plentong, Johor	0.28	Vacant land	Freehold		1.3
Lot 144 Penampang New Township, K.K., Sabah	0.15	Service Station	Freehold		0.4
Lot 13639, Kg Sungai Kayu Ara, P.J., Selangor	0.35	Service Station	1980 – 2079	9	2.8
Lot LO 7469 & PT7470, Puchong, Selangor	1.67	Service Station	1968 – 2072	9	4.3
PTD 51897, Tmn Kemas, Tampoi, Johor	0.32	Service Station	1997 – 2096	7	3.9
Lot PT 4620, Jln Dato Muda Linggi, Seremban, N.S.	0.3	Service Station	1993 – 2094	8	3.2
Lot 17774, Jln 2, Desa Jaya, K.L.	0.27	Service Station	2003 – 2063	26	3.2

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Lot PT 6035, Lebuh Ayer Keroh, Melaka	0.3	Service Station	1996 – 2094	8	3.1
Lot 32040-32045, Jln Kuchai Lama, K.L.	0.22	Service Station	1987 – 2086	14	2.6
Lot L.O. 6, Pers. Raja Muda Musa, Pel. Klang, Selangor	0.12	Service Station	2003 – 2102	19	2.4
Lot PT 3169, Tmn Seri Endah, K.L.	0.18	Service Station	1993 – 2083	15	2.5
68 Pers. Raja Muda Musa, Klang, Selangor	0.1	Service Station	2002 – 2101	20	2.3
Lot 4440, Bidor, Perak	0.13	Service Station	2002 – 2101	33	1.9
Lot PT 1085, Lebuhraya Petaling Jaya, P.J., Selangor	0.32	Service Station	1989 – 2079	14	1.9
Lot PTB 12473, Kaw. Perusahaan Larkin, Johor	0.36	Service Station	1991 – 2040	15	1.7
Lot 5241 & 5242, Jln Genting Klang, Setapak, K.L.	0.38	Service Station	1974 – 2073	14	1.6
L.O. 7, Jln Templer, P.J., Selangor	0.18	Service Station	1969 – 2068	12	1.1
181 Jln Jelutong, P.P.	0.36	Service Station	1984 – 2026	36	1.0
Lot 1601 & 1602, Seri Kembangan, Selangor	0.09	Service Station	1992 – 2052	14	0.8
Lot PT 15365 & 15372, Bdr. Sunway, P.J., Selangor	0.26	Service Station	1995 – 2055	11	0.7

Group Property Portfolio

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Lot PT 1, Batu 61/2, Jln Kepong, K.L.	0.52	Service Station	1976 – 2006	15	0.5
Lot PT 1889, Jln SS 21/56, P.J., Selangor	0.15	Service Station	1981 – 2011	25	0.3
Lot PT 4283, Tmn Bkt Kuchai, Puchong, Selangor	0.17	Service Station	1982 – 2012	21	0.2
Lot 49 & 56, 290 Jln Ampang, K.L.	0.12	Service Station	1977 – 2006	33	0.1
42 Jln Batu Pahat, Kluang, Johor	0.12	Service Station	1990 – 2020	35	0.1
No 6 Jalan PJU 7/3, Mutiara Damansara, Selangor	0.62	Hotel	Freehold	2	37.1
Solandra Estate, Kemaman, Terengganu	430	Oil palm & teak estate	1984 – 2054		3.8
Lots 1441 & 1442, Section 66, Kuching, Sarawak	0.25	Industrial land & building	1981 – 2046	18	0.3
Loagan Bunut Estate, Miri, Sarawak	4,190	Oil palm estate & palm oil mill	1991 – 2091	2	37.8
Sungai Lelak Estate, Miri, Sarawak	3,734	Oil palm estate	1988 – 2088		25.2
Ladang Tabung Tentera, Kemaman, Terengganu	1,938	Oil palm estate	1982 – 2054		11.4
Bukit Limau Estate, Miri, Sarawak	4,827	Oil palm & teak estate	1995 – 2094		22.6

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Kelimut Estate, Kanowit, Sarawak	2,212	Oil palm estate	1998 – 2058		18.0
Maong Estate, Kanowit, Sarawak	1,275	Oil palm estate	1998 – 2058		9.0
Mapai Estate, Kanowit, Sarawak	2,721	Oil palm estate	1998 – 2058		17.8
Jih Estate, Kanowit, Sarawak	2,960	Oil palm estate & palm oil mill	1998 – 2058	3	31.2
Pedai Estate, Kanowit, Sarawak	3,422	Oil palm estate	1998 – 2058		29.4
Bawan Estate, Kanowit, Sarawak	1,794	Oil palm estate	1998 – 2058		14.3
AKO Estate, Muara Kiawi, Sumatra, Indonesia	4,789	Oil palm estate & palm oil mill	1999 – 2029		8.6
Bingin Rupit Estates, Musi Rawas, Sumatra, Indonesia	17,793	Oil palm estate	1998 – 2028		28.3
Lot 70, Mutiara Damansara, Mukim Sungai Buloh, Selangor	45.87	Development land	Freehold		63.5
24 Bakar Arang Industrial Estate, Kedah	0.2	Industrial land & building	1971 – 2070	26	7.2
Lot 1385, Bandar Selayang, Gombak	0.64	Industrial land & building	Freehold	7	4.6
26 Jalan Tun Sambanthan 3, Brickfields	0.02	Office building	Freehold	23	1.5

Group Property Portfolio

Location	Hectares	Description	Tenure	Age of Buildings	Book Value
At 31 December 2006				**Years**	**RM million**
Lot 26, Phase NUIA, Nilai Utama Enterprise Park	1.93	Industrial land	Freehold	2	17.8
Grant No. 5314, Semenyih, Selangor	41.2	University campus	Freehold	1	114.3
Boustead Sedili, Ulu Sedili	1,036	Oil palm estate	2004 – 2093		9.9
Sungai-Sungai/Kawananan/ Lembah Paitan, Sabah	2,767	Oil palm estate & palm oil mill	1997 – 2096		25.0

Location	Hectares	Description
Estates leased from Golden Crop Returns Berhad under asset backed securitisation exercise		
TRP Estate, Trong, Perak*	1,379	Oil palm estate
Malakoff Estate, Tasek Glugor, Penang	1,411	Oil palm estate
Stothard Estate, Kuala Ketil, Kedah	983	Oil palm estate
Kedah Oil Palm Estate, Kulim, Kedah	245	Oil palm estate
Kuala Muda Estate, Sungei Petani, Kedah	776	Oil palm estate
Eldred Estate, Bekoh, Johor	1,827	Oil palm estate
Ladang Segaria, Semporna, Sabah*	4,746	Oil palm estate
Sungai-Sungai/Kawananan, Sugut, Sabah	7,479	Oil palm estate
Sungai Segamaha, Lahad Datu, Sabah*	3,245	Oil palm estate

**Estate with palm oil mill*

Location	Hectares	Description
Estates leased from Golden Crop Returns Berhad under asset backed securitisation exercise		
Bukit Segamaha, Lahad Datu, Sabah	2,415	Oil palm estate
Resort Estate, Sandakan, Sabah	1,135	Oil palm estate
Nak Estate, Sandakan, Sabah*	1,358	Oil palm estate
Sutera Estate, Sandakan, Sabah	3,201	Oil palm estate
Ladang Bebar, Pekan, Pahang	2,341	Oil palm estate
Ladang Sungai Jernih, Pekan, Pahang*	2,696	Oil palm estate
Ladang Tabung Tentera, Lahad Datu, Sabah	2,023	Oil palm estate
Estates leased from Al-Hadharah Boustead REIT		
Malaya Estate, Selama, Perak	922	Oil palm estate
Batu Pelaka Estate, Kuala Ketil, Kedah	969	Oil palm estate
Bukit Mertajam Estate, Kulim, Kedah	2,173	Oil palm estate
Bekoh Estate, Tangkak, Johor	1,226	Oil palm estate
Chamek Estate, Paloh, Johor	817	Oil palm estate
Kulai Young Estate, Kulai, Johor	816	Oil palm estate
Telok Sengat Estate, Kota Tinggi, Johor*	3,713	Oil palm estate

**Estate with palm oil mill*

Group Oil Palm Agricultural Statistics

	2006	2005	2004	2003	2002
Planted hectares					
Prime mature	**56,626**	55,301	38,975	38,728	40,663
Young mature	**14,370**	18,378	33,013	28,164	16,934
Total mature	**70,996**	73,679	71,988	66,892	57,597
Immature	**5,698**	4,559	8,219	13,126	21,245
Total planted	**76,694**	78,238	80,207	80,018	78,842
FFB crop (MT)	**1,262,449**	1,215,027	1,149,176	1,089,079	979,804
FFB yield per hectare (MT/hectare)					
Prime mature	**19.8**	22.2	22.9	23.0	22.0
Total mature	**17.8**	16.9	16.0	16.3	16.3
Mill production (MT)					
Palm oil	**248,135**	237,521	213,368	179,182	158,276
Palm kernel	**59,915**	58,840	52,928	45,785	40,490
Extraction rates (%)					
Palm oil	**20.1**	20.4	19.9	19.8	20.3
Palm kernel	**4.9**	5.1	4.9	5.1	5.2
Oil yield per prime mature hectare (MT/hectare)	**4.7**	5.2	5.2	5.3	5.0
Average selling prices (RM per MT)					
FFB	**266**	261	308	272	229
Palm oil	**1,464**	1,375	1,616	1,504	1,287
Palm kernel	**862**	981	1,036	713	645

Plantation Area Statement

AREA STATEMENT

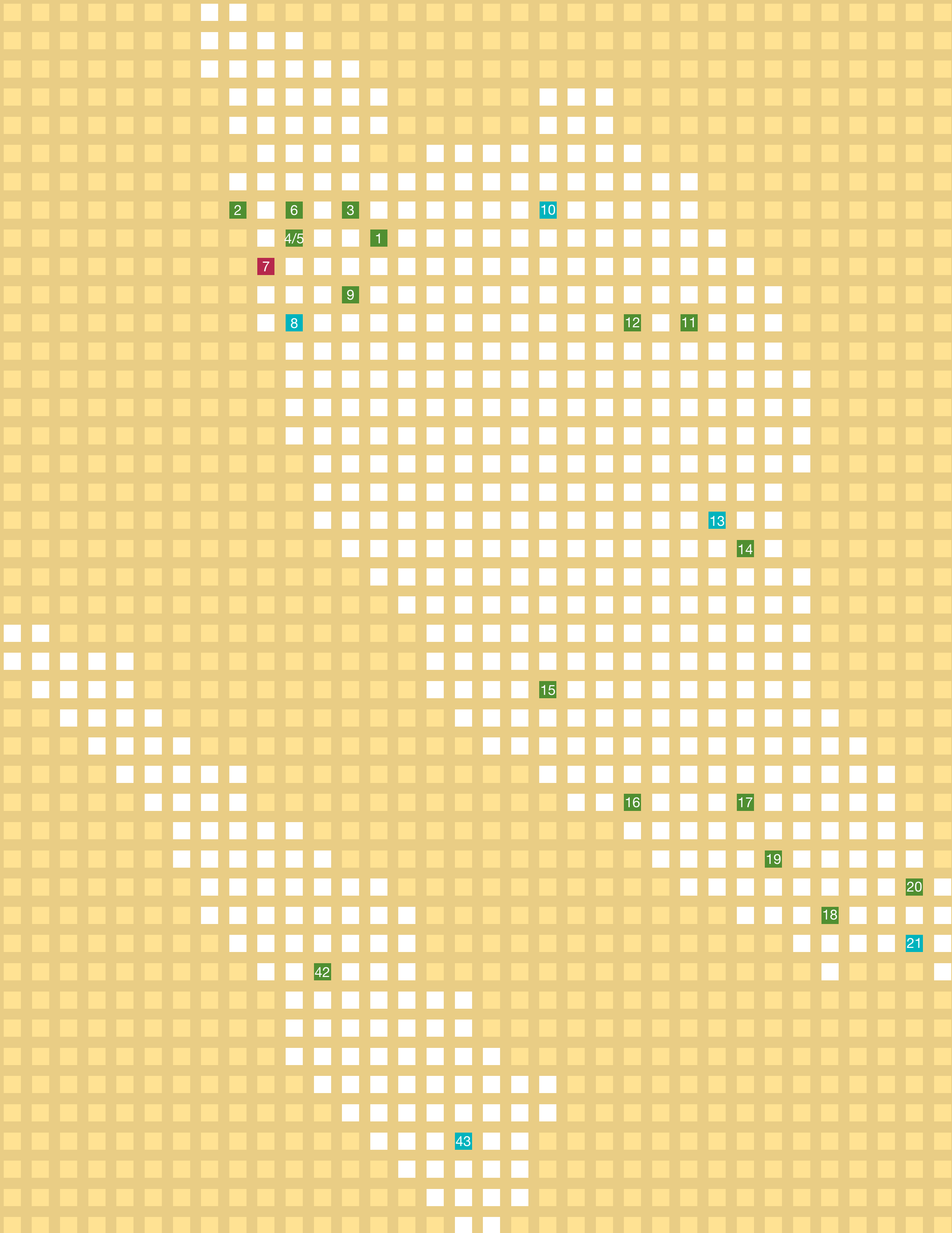
Categories	2006 Hectares	2006 % of planted area	2005 Hectares	2005 % of planted area
Oil Palm	**76,694**	**99.38**	78,238	99.36
Forestry	**301**	**0.39**	326	0.42
Coconut	**176**	**0.23**	176	0.22
Total Planted	**77,171**	**100.00**	78,740	100.00
Plantable reserves	**12,600**		14,124	
Building sites, etc	**13,368**		13,283	
Total	**103,139**		106,147	

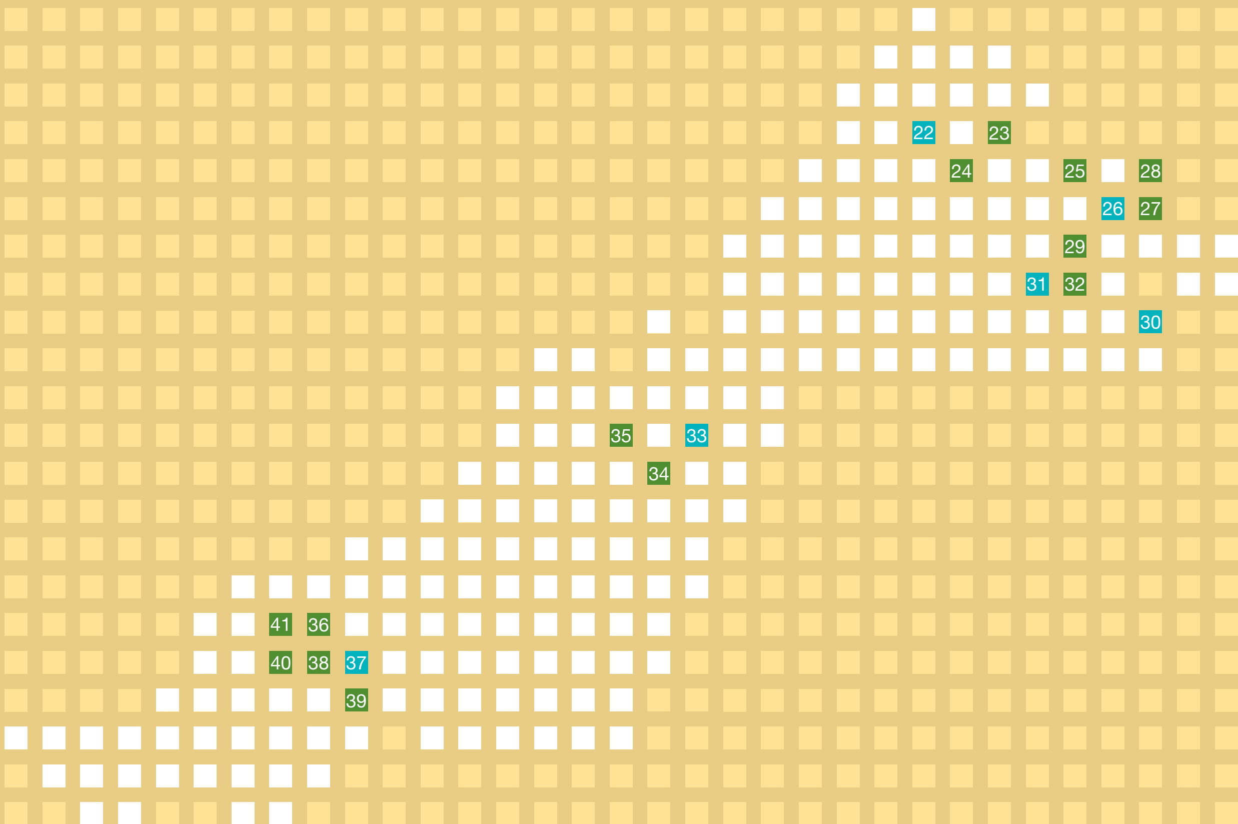
AGE PROFILE OF PALMS

	Immature	Young Mature	Prime Mature		
Region	< 3 years	3-6 years	7-15 years	16-25 years	Total Planted
Peninsular Malaysia	2,732	3,903	9,203	10,572	26,410
Sabah	2,766	5,249	9,721	5,972	23,708
Sarawak	—	3,382	15,429	—	18,811
Indonesia	200	1,836	5,729	—	7,765
Total	5,698	14,370	40,082	16,544	76,694

Oil palm area includes 36,260 hectares leased from Golden Crop Returns Berhad and 10,636 hectares from Al-Hadharah Boustead REIT.

Location of Group Plantation Properties





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 Lepan Kabu
11 Solandra
12 LTT-Terengganu
13 Sungai Jernih *
14 Bebar *
15 Balau
16 Bekoh ^
17 Eldred *
18 Kulai Young ^
19 Chamek ^
20 Boustead Sedili
21 Telok Sengat ^

Sabah & Sarawak

22 Sungai Sungai 1 *
23 Sungai Sungai 2 *
24 Kawananan *
25 Resort *
26 Nak *
27 Sutera *
28 Pulau Bai
29 LTT-Sabah *
30 Segaria *
31 Sungai Segamaha *
32 Bukit Segamaha *
33 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.

^ Estate/Palm oil mill leased from Al-Hadharah Boustead REIT.

Shareholding Statistics

AS AT 31 JANUARY 2007				
SIZE OF SHAREHOLDINGS	**No. of holders**	**%**	**No. of shares**	**%**
1 – 999	535	6.23	122,266	0.02
1,000 – 10,000	6,045	70.35	23,379,597	3.91
10,001 – 100,000	1,769	20.59	52,042,343	8.70
100,001 – less than 5% of issued shares	242	2.82	139,637,221	23.34
5% and above of issued shares	1	0.01	383,088,562	64.03
Total	8,592	100.00	598,269,989	100.00

	30 LARGEST SHAREHOLDERS AS AT 31 JANUARY 2007	No. of shares	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	383,088,562	64.03
2	SCOTIA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN*	10,000,000	1.67
3	ENG HUENG FOOK HENRY	6,734,000	1.13
4	HSBC NOMINEES (TEMPATAN) SDN BHD *NOMURA ASSET MGMT SG FOR EMPLOYEES PROVIDENT FUND*	6,635,600	1.11
5	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NA (CHARLES SCHWAB)*	5,660,800	0.95
6	KOPERASI PERMODALAN FELDA BERHAD	4,857,000	0.81
7	CHINCHOO INVESTMENT SDN. BERHAD	4,206,600	0.70
8	YONG SIEW YOON	4,055,040	0.68
9	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR DFA EMERGING MARKETS FUND*	3,212,900	0.54
10	CITIGROUP NOMINEES (ASING) SDN BHD *CTCL FOR INVESCO PERPETUAL INTERNATIONAL EQUITY FUND*	2,474,000	0.41
11	GAN TENG SIEW REALTY SDN. BERHAD	2,452,000	0.41
12	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG BERSAMA*	2,429,000	0.41
13	PERMODALAN NASIONAL BERHAD	2,414,666	0.40
14	KEY DEVELOPMENT SDN. BERHAD	2,300,500	0.38

30 LARGEST SHAREHOLDERS AS AT 31 JANUARY 2007		No. of shares	%
15	MALAYSIAN REINSURANCE BERHAD	2,000,000	0.33
16	PERTUBUHAN KESELAMATAN SOSIAL	2,000,000	0.33
17	UNIVERSITI MALAYA	1,861,333	0.31
18	CARTABAN NOMINEES (ASING) SDN BHD *CREDIT INDUSTRIEL ET COMMERCIAL, SINGAPORE FOR ENG HUENG FOOK HENRY*	1,747,033	0.29
19	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR OOI CHIENG SIM*	1,744,000	0.29
20	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES*	1,707,100	0.29
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *MANULIFE INSURANCE (MALAYSIA) BERHAD (OL PAR)*	1,572,800	0.26
22	HONG LEONG BANK BERHAD	1,549,000	0.26
23	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED (FOREIGN)*	1,344,833	0.22
24	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN (CEB)*	1,235,100	0.21
25	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR OOI CHIENG SIM (REM 444)*	1,222,399	0.20
26	HLG NOMINEE (ASING) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	1,198,640	0.20
27	LOO GEOK ENG	1,194,200	0.20
28	HLG NOMINEE (TEMPATAN) SDN BHD *EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)*	1,192,100	0.20
29	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *AMANAH SSCM ASSET MANAGEMENT BERHAD FOR* *AMANAH MILLENIA FUND BERHAD (JM730)*	1,156,000	0.19
30	QUEK LENG CHAN	1,104,200	0.18
	TOTAL	464,349,406	77.62

Statement of Directors' Interest

In the Company and Related Corporations as at 31 January 2007

Name of Director	No. of shares	Direct %
Boustead Holdings Berhad		
No. of ordinary shares of RM0.50 each		
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	10,492,800	1.75
Tuan Hj. Johari Muhamad Abbas	66,666	0.01
Y. Bhg. Dato' Ghazali Mohd Ali	200,000	0.03
SUBSIDIARIES		
Boustead Properties Berhad		
No. of ordinary shares of RM1.00 each		
Tuan Hj. Johari Muhamad Abbas	42,500	0.02
Y. Bhg. Datuk Azzat Kamaludin	5,000	—

Name of Director	No. of shares	Direct %
RELATED COMPANIES		
Affin Holdings Berhad		
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
Y. Bhg. Dato' Ghazali Mohd Ali	51,000	—
Affin Holdings Berhad		
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	—
Y. Bhg. Dato' Ghazali Mohd Ali	10,126	—

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FORTY-FIFTH ANNUAL GENERAL MEETING OF BOUSTEAD HOLDINGS BERHAD will be held at 4th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 5 April 2007 at 11.00 a.m. for the purpose of transacting the following business:

	Resolution Number
ORDINARY BUSINESS	
To receive and, if thought fit, adopt the audited financial statements for the year ended 31 December 2006, and the Report of the Directors.	1
To declare a final dividend and a bonus dividend of 12% and 5% less tax to be paid on 2 May 2007.	2
To re-elect Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad who retires by rotation and, being eligible, offers himself for re-election.	3
To elect Y. Bhg. Dato' Ghazali Mohd Ali who was appointed on 1 March 2007 and being eligible, offers himself for election.	4
To consider and, if thought fit, pass the following resolutions:	
"THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat who is over 70 years of age be re-appointed a Director of the Company to hold office until the next Annual General Meeting."	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.	9

Resolution Number

SPECIAL BUSINESS

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

Ordinary Resolution – Authority to Allot and Issue Shares In General Pursuant to Section 132D of the Companies Act, 1965 **10**

"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 **11**

"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."

Ordinary Resolution – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions 12

"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 14 March 2007 provided that such transactions are:
(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the day-to-day operations;
(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
(iv) are not to the detriment of the minority shareholders.

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

Resolution Number

SPECIAL BUSINESS (cont'd.)

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 13

"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 14 March 2007 subject further to the following:

(i) the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;

(ii) disclosure will be made of a breakdown of the aggregate value of transactions conducted pursuant to the Mandate during the financial year based on the following information in the Company's Annual Report and in the Annual Reports for subsequent financial years that the Mandate continues in force:
   (a) the type of the recurrent related party transactions made; and
   (b) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company; and

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

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

To transact any other ordinary business of the Company.

By order of the Board

Kuala Lumpur
14 March 2007

SHARIFAH MALEK
Secretary

FINAL DIVIDEND AND BOOK CLOSURE

If approved, the above dividends will be paid to shareholders on 2 May 2007.

NOTICE IS HEREBY GIVEN that the Transfer Register and Register of Members of the Company will be closed on 10 April 2007 for the determination of shareholders' entitlements to the said dividends.

NOTE:

(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 10 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. 11 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 12 and 13, 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 2006, details of which are as follows:

Date	Time	Place
24 February 2006	4.00 p.m to 6.00 p.m	28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur
25 May 2006	12.20 p.m to 2.20 p.m	28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur
25 August 2006	10.45 a.m to 12.15 p.m	28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur
10 November 2006	11.10 a.m to 11.50 a.m	28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur
23 November 2006	11.20 a.m to 1.20 p.m	28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur

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

	Number of meetings attended
(a) Directors standing for re-appointment under Section 129 (6) of the Companies Act, 1965	
(i) Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	All 5 meetings
(ii) Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din	All 5 meetings
(iii) Tuan Hj. Johari Muhamad Abbas	4 of 5 meetings
(b) Director standing for re-election Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	All 5 meetings
(c) Director standing for election Y. Bhg. Dato' Ghazali Mohd Ali	Not applicable

Director's Profile

Y. BHG. DATO' GHAZALI MOHD ALI
Non-Independent Executive Director
58 years of age, Malaysian

Dato' Ghazali was appointed to the Board on 1 March 2007. He is also the Divisional Director for Property Division.

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

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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 5 April 2007 and at any adjournment thereof.

	Resolution	For	Against
No. 1	Adoption of Directors' Report and Financial Statements		
No. 2	Approval of Dividends		
No. 3	Re-election of Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad		
No. 4	Election of Y. Bhg. Dato' Ghazali Mohd Ali		
No. 5	Re-election of Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat		
No. 6	Re-election of Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din		
No. 7	Re-election of Tuan Hj. Johari Muhamad Abbas		
No. 8	Approval of Directors' fees		
No. 9	Re-appointment of Auditors		
No. 10	Approval for Directors to allot and issue shares		
No. 11	Authority to transact with Directors		
No. 12	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		
No. 13	Additional Shareholders' Mandate for Recurrent Related Party Transactions		

No. of Shares	

Dated this ______________ day of ______________ 2007

____
Signature

Notes:

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