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BOUSTEAD HOLDINGS BERHAD 3871-H

annual report 2012

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

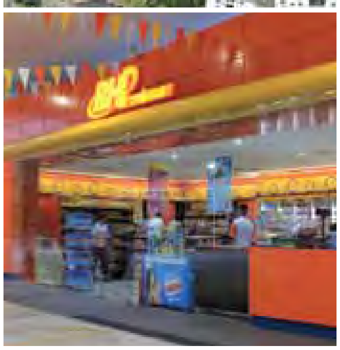
UNITY IN DIVERSITY

annual report ■ **2012**

CONTENTS








BOUSTEAD HOLDINGS BERHAD 2012 ANNUAL REPORT

RATIONALE

Our diversity is our strength. This year is testimony to the fact that our diverse businesses are imperative to our growth. The unity which we share amongst all Bousteadians is reflected in the cover design and in the hard work that has been achieved.

ABOUT US

Boustead Holdings Berhad, with well over 180 years since its establishment, has evolved and reinvented itself from a modest trading company to a leading participant in the plantation sector and now a well-diversified homegrown conglomerate. The Group has six core areas of business, namely plantation, property, finance & investment, pharmaceutical, trading & manufacturing and heavy industries.

With a human capital of more than 17,000 employees spanning listed and non-listed subsidiaries, the Group has total assets in excess of RM13 billion. As one of the leading investments in the stable of companies owned by Lembaga Tabung Angkatan Tentera, Boustead's shareholders' funds at the close of the financial year was more than RM4.7 billion.

OUR CORE VALUES

Respect

Dignity | Trust | Fair | Open | Honour

Integrity

Honest | Truthful | Conscience | Sincere | Accountability

Teamwork

Unity | Harmony | Cooperation | Commitment | Collaboration

Excellence

Professional | Courage | Pride | Proactive | Competitive

OUR CORE BUSINESS

plantation

The Plantation Division is one of the key contributors to the Group's earnings. With a sizeable acreage in Peninsular and East Malaysia, this Division invests in substantial research and development with the aim of achieving higher yields.

property

The Property Division has a firm footing in this highly competitive sector. Involved in core activities such as property investment, property development and hotel operations, the Division is a niche strategic participant in the sector.

finance & investment

With its investment in one of Malaysia's prominent financial services groups, accompanied by a diverse range of investments from education to confectionery and personal care products, this Division is a key contributor to Boustead.

pharmaceutical

We have a sizeable investment in Malaysia's largest listed pharmaceutical group. Its full scope of services and products plays an important role in the nation's pharmaceutical and healthcare sector.

trading & manufacturing

With diverse investments in a series of companies, ranging from Malaysia's only other homegrown national retail petroleum network to the manufacture and distribution of building materials, this Division also engages in the services sector, namely travel, shipping and engineering.

heavy industries

The marine sector is the Division's focus, particularly for naval vessels and its full suite of services gives it a strong proposition. In addition, the Division has investments in the oil and gas and aviation business.

PERFORMANCE HIGHLIGHTS

Revenue
RM10.2
billion

- Significant 19% increase year-on-year.

Profit Before Tax
RM619
million

- Contributions primarily from the Plantation, Property and Trading & Manufacturing Divisions.

Profit After Tax
RM518
million

- Achieved, due to our diverse investments.

EBITDA
RM1.1
billion

- 11% of revenue.

CAPEX
RM875
million

- Propelling organic and inorganic growth.

Total Assets

RM13.9 billion

- 9% growth year-on-year.

Employees

17,079

- 9% expansion in human capital.

Dividend

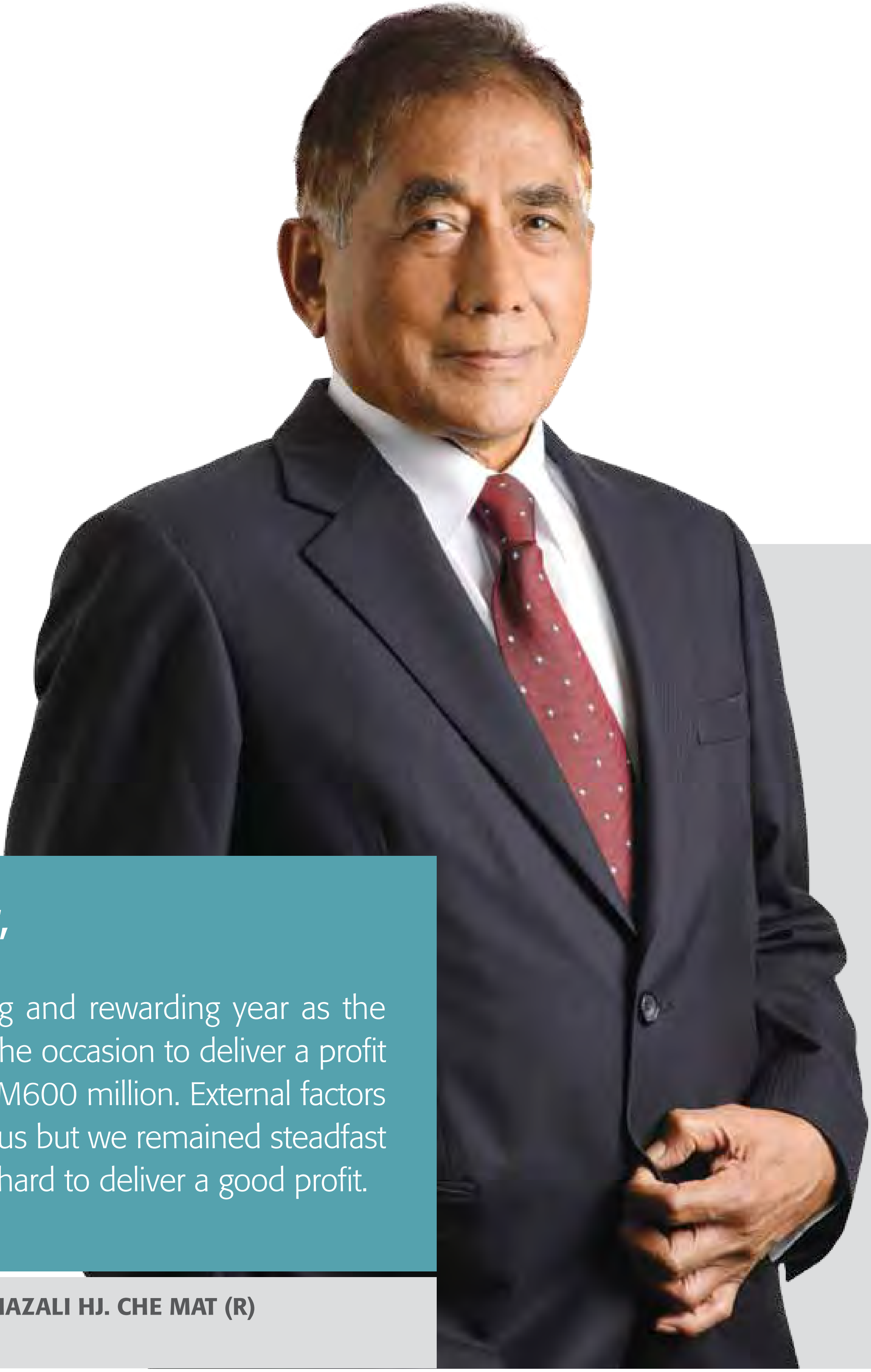
32.5 sen

- 6.3% yield on closing price for the financial year.

Leading the Way

- The Al-Hadharah Boustead REIT, Malaysia's first and only Islamic plantations REIT.
- Pharmaniaga, Malaysia's largest listed integrated pharmaceutical group.
- BHPetrol, Malaysia's only other national retail petroleum network.
- The Royale chain of hotels, a leading hotel chain in Malaysia.
- University of Notthingham Malaysia Campus, a top private university in Malaysia.
- MHS Aviation, a leading provider of air transportation to the oil and gas sector.
- Boustead Naval Shipyard, Malaysia's leading solution provider for naval vessels.

CHAIRMAN'S STATEMENT



Dear Shareholder,

It has been a challenging and rewarding year as the Boustead Group rose to the occasion to deliver a profit before tax in excess of RM600 million. External factors did their utmost to affect us but we remained steadfast in our quest and worked hard to deliver a good profit.

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

With this, I am pleased to present to you, our annual report for the financial year ended 31 December 2012.

ECONOMIC LANDSCAPE

The Malaysian economy has weathered the volatile global economic climate stemming from protracted sovereign debt and banking sector complications that have in turn squeezed various major economies.

The National Transformation Policy introduced by the Government via the 2012 National Budget has strengthened domestic demand as the nation races towards achieving its mission of inclusive and sustainable growth. Its effects can be seen from Malaysia's gross domestic product growth, which moderated to a commendable 5.6% for 2012.

This resilient performance is mainly attributable to domestic demand as well as growth in private consumption along with foreign and local direct investment. However, the deterioration in external demand for commodities and the impact on the marine sector amongst other factors bore upon our businesses.

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

The Group performed well for the year under review, with a profit after tax of RM518 million. Key reasons that affected the Group's bottom line were the deficit recorded by the Heavy Industries Division and the drop in profitability by the Plantation and Property Divisions.

Earnings per share ended at 40 sen and net assets per share was RM4.50 while shareholders' funds stood at RM4.7 billion for the year ended 31 December 2012.

DIVIDEND

Our dividend policy is testament to our commitment to provide loyal shareholders with a strong and stable flow of yields. While it is important to deliver shareholder value, we are conscious of the need to balance this with a prudent capital management strategy.

The Group's dividend was 32.5 sen per share representing a 6.25% yield based on the closing stock price for the fiscal year. To date, dividends totalling 25 sen have been paid to shareholders, while the remaining 7.5 sen will be paid on 29 March 2013 to shareholders on the register as at 18 March 2013.

HUMAN CAPITAL

The capacity of government and businesses to attract, develop, motivate and retain talent is an inescapable reality for today's knowledge-based economy. The Malaysian Government is mindful of this fact and has identified 'Strengthening Education and Training' as one of its key focuses as part of the 2013 Budget announcement in order to nurture knowledgeable, creative and innovative human capital.

The Group is conscious of the need to position Boustead as an employer of choice while enhancing workforce competitiveness. Moreover, we are aware of the direct correlation between the quality of our talent pool and our productivity. We have implemented several strategic measures to ensure talent development to support the Group's growth. These initiatives have been built on the bedrock of our core values and competencies which I am glad to note have permeated almost all levels of the Group.

OUTLOOK

Although global economic growth for 2013 is overcast by the unremitting Eurozone crisis and continued fragilities in advanced economies, domestic demand is expected to remain positive and the Malaysian economy is expected to grow.

Asia will hold its fair share of economic challenges as India and China balance growth with inflation. While Southeast Asia may not experience soaring growth rates, there will still be sustained improvements. These considerations will augur well for Malaysia as we are very much part of Asia's economic cycle.

We trust that with the quality and diversity of our investments coupled with the calibre of our people who manage them, we will be able to optimise value and deliver another positive year.

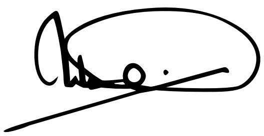
ACKNOWLEDGEMENT

I would like to take this opportunity to thank our Board members for their vision, experience and knowledge in providing the counsel and corporate oversight required to continue leading the Group forward. Warm welcome to our latest Board member Datuk Francis Tan Leh Kiah who was appointed as an Independent and Non-Executive Director on 11 October 2012.

Prime Ministers of UK and Malaysia at UNMC

The Boustead Group's accomplishments in the past year were made possible by our management and staff. They have responded to the formidable challenge of delivering yet another year of professionalism, dedication and diligence as a cohesive team.

We are as always thankful for the support and trust given to us by our majority shareholder, Lembaga Tabung Angkatan Tentera. My gratitude also to our shareholders, financiers, business associates, consultants and the regulatory authorities for their on-going support.



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

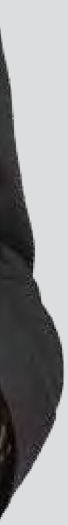
4 March 2013

CHIEF EXECUTIVE'S REVIEW

Dear Shareholder,

Your Group is no newcomer to challenges. For well over a century and particularly during the last 20 over years, we have weathered a number of storms. During these times of global economic uncertainty, we have risen to the challenge. This was all the more evident as Malaysia is one of the top trading nations in the world and given that Boustead Holdings Berhad is at the forefront of the Malaysian economy in more ways than one, we were not spared from global headwinds.

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



FINANCIAL PERFORMANCE

In rising to the challenge, we delivered a profit before tax of RM619 million with a profit after tax of RM518 million. The maritime sector affected our Heavy Industries Division and this coupled with factors that bore upon crude palm oil (CPO) prices caused us to experience a dip in earnings. Lower fair value gain registered by our Property Division affected us as well.

Our balance sheet remains strong with shareholders' funds coming in at RM4.7 billion and turnover for the year was a record RM10 billion. As I have mentioned over the last few financial years, it is the strength of our multifaceted portfolio of investments that has been the cornerstone for profitability. If not for this spread of earnings, we would not have been able to succeed in achieving a profit in excess of RM600 million.

With this in mind, our shareholders, both institutional and retail have benefited from another year of handsome dividends amounting to 32.5 sen. Total pay out for the year was RM336 million.

CHIEF EXECUTIVE'S REVIEW

This year we undertook a series of corporate exercises in order to improve our business prospects and widen our earnings potential. I have elaborated further on this under the section, Corporate Initiatives. With these plans, our gearing ratio moved up to 1.4 times compared with 1.1 times in the previous financial year. Contributing factors included the syndicated facilities to fund the Littoral Combat Ships undertaken by Boustead Naval Shipyard Sdn Bhd. Additionally, the buy-back of plantation assets from Golden Crop Returns Berhad impacted gearing.

What is important to note is that due to our recurring earnings, exponential growth in turnover, sound treasury management and balance sheet, our debt level is healthy.

Our six Divisions have done us proud in one way or another. Leading each Division is a team of professional managers driven respectively by able Divisional chiefs.

Though we were impacted by the vagaries of CPO prices, the Plantation Division recorded the highest earnings for the year, contributing 33% to Group profit.

The Property Division was down on account of lower fair value gains and as a result, its contribution to Group profit was 26%. Nevertheless, during the year new measures were put in place increasing the potential of the Division.

The Trading and Manufacturing Division delivered a record profit far surpassing their previous year's results. Posting a profit contribution of 26% to the Group, the Division's results were led by Boustead Petroleum Marketing Sdn Bhd.

Our Finance and Investment Division which constitutes multiple investments for the Boustead Group from a range of associate companies along with a handful of subsidiaries has done us proud this year registering a profit contribution of 18%. The chief driver was the Affin Group which delivered another year of record earnings. Our associate company Cadbury Confectionery Malaysia along with our subsidiary University of Nottingham Malaysia Campus, performed well.

This year we undertook a series of corporate exercises in order to improve our business prospects and widen our earnings potential.

Photo courtesy of The Malaysian Reserve

The Pharmaceutical Division outperformed its previous year's results, contributing 13% to the Group's bottom line. Significant improvements were achieved in operating efficiencies resulting in the increased contribution.

Due to the tough economic environment in the maritime sector, the Heavy Industries Division registered a deficit. The upside for the year was the fact that MHS Aviation Berhad which was acquired in the previous financial year produced improved profit, while Boustead Naval Shipyard Sdn Bhd also delivered profit. Unfortunately, this was weighed down by the deficit posted by Boustead Heavy Industries Corporation Berhad. Having reviewed its current business model and remaining steadfast that our goal is to seek out opportunities while improving business prospects, we have decided to minimise our dependence on the construction of large commercial vessels, opting instead to focus on smaller commercial craft.

CHIEF EXECUTIVE'S REVIEW

CORPORATE INITIATIVES

A Group of our nature must always be able to maximise value and seek out innovative ways to improve our corporate structure. Optimising interest cost with funding instruments that bear us the best yields is paramount to our success given our appetite for mergers, acquisitions and restructuring.

Reflective of these aspirations, strategic and meaningful exercises were completed. Foremost amongst them was the buy-back of plantation assets from Golden Crop Returns Berhad, a special purpose vehicle established for the Islamic Asset Backed Securitisation programme in Malaysia which was undertaken by the Group in 2005.

Under this unique programme, the Group entered into a sale and purchase agreement for the disposal of the beneficial rights of identified plantation assets to Golden Crop Returns Berhad while the Group continued to generate operating profits from these assets through a leaseback arrangement. With the successfully completed buy-back, the bulk of our estates are now held via a stable of companies within the Plantation Division while the remaining assets are held within Al-Hadharah Boustead REIT.

As we have mentioned in the previous year's report, it has always been our strategy to dispose of our plantation assets in Indonesia and this was successfully achieved during the year.

The Group undertook a bond issuance to raise RM900 million via a sale and leaseback transaction backed by several of our prime investment properties. The funds raised will be utilised to pare down some of our short term financial obligations. At the same time, we have initiated plans to acquire new strategic land banks and this will be the cornerstone for the Property Division's earnings stream in the next few years.

CPO is gaining ground beyond Asia mainly due to its inherent health advantages and price compared with other vegetable oils.

At our listed subsidiary, Pharmaniaga Berhad, we successfully achieved the required public spread during the year as it was our intention to maintain its listed status. Moreover, Pharmaniaga has proposed a share split involving the subdivision of every one existing ordinary share of RM1 each into two ordinary shares of 50 sen each. In addition, it has proposed a bonus issue

of new ordinary shares on the basis of one bonus share for every 10 subdivided shares held. With this exercise, we should expect to see better liquidity at Pharmaniaga and possibly appreciation in its valuation, which will then have a direct impact on the Boustead Group given our investment in this pharmaceutical giant.

UAC Berhad, previously a listed subsidiary, was successfully taken private for a cash consideration of RM111 million. We offered its shareholders a compelling opportunity to realise a cash payment for their UAC shares at a level that would not have been possible on the share market based on the historical share price trend of UAC, thus the overwhelming acceptance of our offer. In addition, we acquired a 98% stake in Johan Ceramics Berhad.

These last two years in particular have been busy ones from a corporate perspective. Having consolidated and restructured our investments in Pharmaniaga Berhad, MHS Aviation Berhad and Boustead Heavy Industries Corporation Berhad, we expect these entities to improve their contributions to our bottom line.

OUTLOOK

In last year's annual report, I had penned that we are not oblivious to the fact that external conditions will have an impact on our earnings. Unfortunately and true to form, it was the case this financial year. As we look ahead in the new fiscal year, the challenges will not abate.

Pressures on CPO prices due to inventory levels, erratic weather conditions, escalating labour costs, lower seed oil production forecasts and the uncertainty of soybean prices will contribute to a hazy projection of how prices will fare over the next 12 months.

Notwithstanding these circumstances, it is undisputable that CPO is the preferred vegetable oil in Asia with India and China fuelling demand. It is gaining ground beyond Asia mainly due to its inherent health advantages and price compared with other vegetable oils. It is only a matter of time before CPO's competitive edge places it far ahead.

Our tried and tested results in the property sector is proof that we are one of the more successful developers in Malaysia offering investors, home owners and retailers excellent opportunities to be part of Malaysia's thriving property market. This year, we undertook the acquisition of land banks that will certainly bode well for the Property Division.

CHIEF EXECUTIVE'S REVIEW

Artists' impression of our proposed condominium development at Cochrane

With our acquisition at Jalan Cochrane, we have kicked off a new phase of development that will bring about rejuvenation to this vicinity. As we unravel the potential of this prime parcel of land, we will be replicating proven strategies and formulas that have contributed to the success of Mutiara Damansara and Mutiara Rini. One of the keystones will be the joint venture with the Ikano Group. Our plans will see a net lettable area of more than one million square feet of retail space in Jalan Cochrane coming to fruition. As for our hospitality business, we expect the newly opened Royale Bintang Damansara to continue its successful track record moving forward.

When we undertake acquisitions, rarely do we remain passive as we are committed to improving any business venture that we acquire with a keen eye on unravelling its potential.

In our Trading and Manufacturing Division, BHPetrol will make further gains in market share with new programmes to attract consumers. In the Finance and Investment Division, we have no doubt that the Affin Group along with other associate companies such as Cadbury Confectionery Malaysia and our subsidiary UNMC will maintain if not improve their contributions.

The Pharmaceutical Division will perform even better as a result of the demand for better healthcare. Pharmaniaga's listed subsidiary in Indonesia is forecast to double its efforts in Southeast Asia's largest market with its growing healthcare requirements.

The Heavy Industries Division will improve its contribution to our Group's bottom line, more so with the discontinuation of the construction of large commercial vessels. The Littoral Combat Ship project has already begun contributing to the Division's bottom line. What is important to note is that this project will straddle several financial years and with each passing year, its contribution will grow.

When we undertake acquisitions, rarely do we remain passive as we are committed to improving any business venture that we acquire, with a keen eye on unravelling its potential. Take for instance, our turnaround of BHIC and more recently Pharmaniaga and MHS among many others. Not only do we bring about eventual improvements to bottom line, we also improve the corporate and operating structure of all our investments. In the year ahead, we hope to expand organic growth by exploring new ways to improve operational efficiencies in our six Divisions.

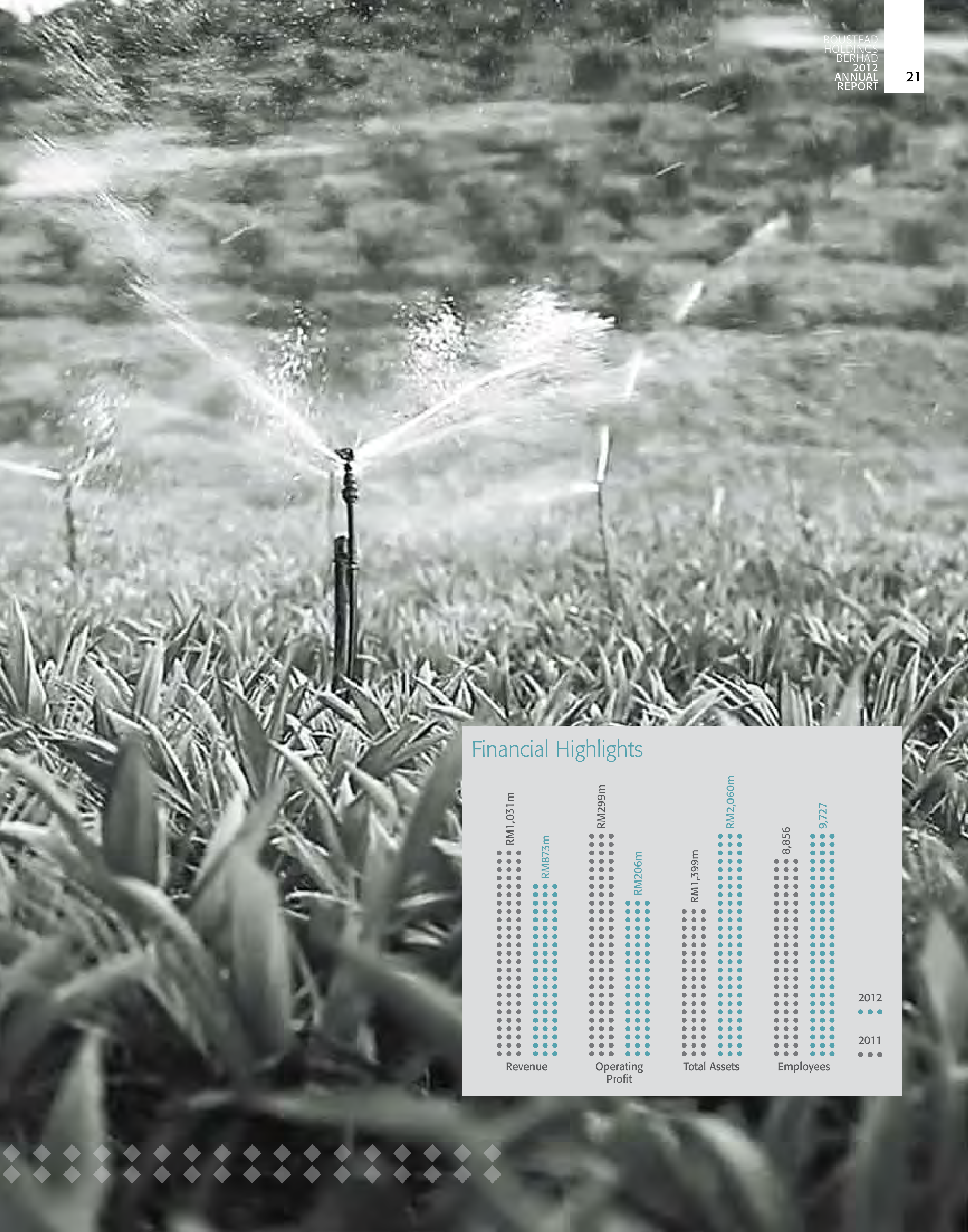
In the following pages are detailed developments of how these Divisions have performed. One clear thread should be evident and that is that we have heightened our resolve in the face of competition and pressing external economic conditions. We hope you will find our reviews informative and we assure you of our steadfastness to always have our shareholders' best interests in mind as we pursue our numerous initiatives to unlock and deliver shareholder value.

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

4 March 2013

It was a tough year for the Plantation Division as we were hit by plunging crude palm oil (CPO) prices compounded by higher operating costs. In fact, we expected CPO to trade at a higher plateau given the discount ranging between US$300 to US$350 per metric tonne (MT) to soyoil. This did not materialise as macroeconomic conditions significantly drove down CPO prices.

plantation division

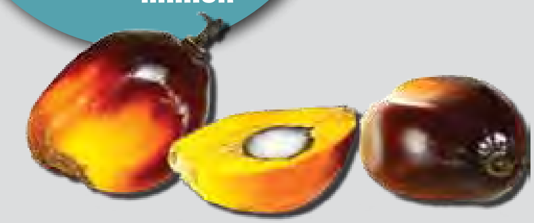

Financial Highlights
RM1,031m
RM873m
Revenue
RM299m
RM206m
Operating Profit
RM1,399m
RM2,060m
Total Assets
8,856
9,727
Employees
2012
2011

plantation division

The Division was adversely affected by these factors in 2012, hence profit for the year was RM206 million against last year's RM299 million. Our average CPO price for the year was RM2,902 per MT as compared with the previous year's historical high of RM3,272. The average palm kernel price was RM1,568 per MT compared with RM2,195 the previous year.

Revenue
RM873
million

Profit
Before Tax
RM206
million



Market Review

The 13 month rally spilling over from 2011 and capping off in April 2012 saw CPO prices reach a peak of RM3,600 per MT. From then on, prices remained steady for the first half of 2012 ranging between a satisfactory band of RM2,800 to RM3,200 per MT. CPO prices for the first half of the year were buoyed by signs of recovery in the US and a minor stabilisation of the Eurozone's economy. In addition, the weakening of the US dollar against a basket of currencies resulted in higher commodity prices due to the fact that commodities are quoted in the US dollar in the world market, which had a positive impact on prices.

Regrettably in the second half of the year, global commodities took a beating amidst concerns over global growth prospects. Key external factors that adversely affected CPO prices were the cooling off of China's economy and the persistent Eurozone crisis.

CHIEF EXECUTIVE'S REVIEW

Other contributing factors were the downtrend of Brent crude oil prices which dropped by nearly 30% and the high level of CPO stocks in Malaysia, which had accumulated to 2.63 million MT by end December. Clearly, the correlation between vegetable oil and energy prices is ever evident. This resulted in a steady drop of prices to a low of RM2,000 during the second half of the year, thus the significant impact on earnings to the Division.

Estates and Mills

At the close of the year total land bank stood at 81,333 hectares (ha) compared with 96,393 ha in the previous year. The decrease in land bank was largely a result of the disposal of 14,857 ha of our Indonesian plantation assets. In addition, there was a disposal of 3.7 ha in Balau Estate for the Crops For The Future Research Centre project.

We completed the buy-back of plantation assets from the special purpose vehicle, Golden Crop Returns Berhad. As a result, the bulk of our estates now sit in the stable of companies within the Plantation Division, the exception being 19,945 ha held under a lease arrangement with Al-Hadharah Boustead REIT. Total area under oil palm cultivation stands at 68,375 ha, which comprises 62,777 ha of mature palms and 5,598 ha of immature palms.

Our average CPO price for the year was RM2,902 per MT compared with the previous financial year's historical high of RM3,272.

Fresh fruit bunches (FFB) production excluding our Indonesian estates was 1,100,000 MT. The average yield was 17.5 MT per ha compared with 16.5 MT for the previous year. Our Peninsular estates produced better yields averaging at 20.9 MT per ha (2011: 20.2 MT). The Sabah and Sarawak estates experienced sluggish yields due to poor weather conditions, labour shortages and community issues which disrupted harvesting activities.

FFB production cost stood at RM302 per MT, signifying a 16% increase compared with the previous year's RM261 per MT. The escalation in cost was due to higher fertiliser prices, increased wages for the labour force arising from special gratuitous payments to all workers in our estates, coupled with a jump in maintenance cost.

To improve our oil and FFB yield per ha, we have expanded the planted areas of compact (used for high density planting) and clonal ramet materials in our planting programme which commenced in 1999. To date, 765 ha are planted with compact planting materials and 14,218 ha are planted with clonal ramet materials.

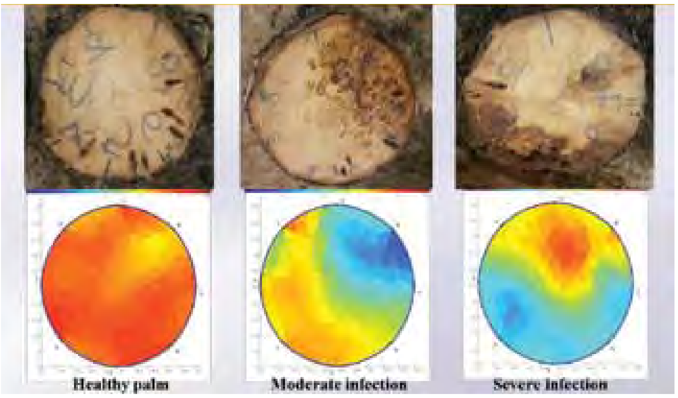
We have embarked on mechanisation programmes which aim to increase the land to labour ratio in our estates and this has resulted in improved workers' productivity, crop quality and crop evacuation from the fields.

We have enhanced our mechanisation efforts by introducing motorised FFB cutters or CANTAS to replace the conventional aluminium poles for harvesting fresh fruit bunches in selected oil palm areas, particularly for palm heights ranging from three to seven meters. To date, a total of 12,000 ha are covered by the CANTAS harvesting system. We are assessing the use of graphite harvesting poles for taller palms that exceed 14 meters.

To speed up FFB evacuation from the fields to the mills for processing, we have also introduced mechanised platform FFB collections through integration of bin or shunting tractor system. A total of 40,000 ha of the Group's mature areas are using this innovative system.

Our commitment to sustainable practices is on-going, as this year our Sungai Jernih Business Unit retained its Roundtable of Sustainable Palm Oil (RSPO) certification status and our Nak Business Unit in Sandakan is expected to attain its RSPO certification in early 2014. In total, 6,898 ha of our plantations have RSPO accreditation.

Our palm oil mills processed 1,204,000 MT of FFB during the year. The average oil extraction rate was 20.8% (2011: 20.3%) and kernel extraction rate was 4.7% (2011: 4.6%). In an effort to improve milling efficiencies, we commenced the replacement of conventional horizontal sterilisers with slanting vertical sterilisers, which will also bring about a reduction in labour and operational costs.



Electrical impedance tomograph has the potential to detect early Ganoderma infection of oil palm. Blueness indicates the severity of rotting while redness shows healthiness of palm tissues.

Hybrid palm

As one of the Entry Point Projects under the Economic Transformation Program, the Government aims to reduce carbon emissions to protect the environment. As a corporate citizen in sharing this responsibility, Boustead is set to commence the construction of its first biogas facility in one of its mills in 2013. This will also help to reduce energy costs in our mills.

Research and Development

Our Research and Development (R&D) efforts drive the growth and sustainability of the Division as we maintain our focus on improving quality, reducing costs and enhancing overall expertise in soil management and crop production. During the year, our associate research arm, Applied Agricultural Resources Sdn Bhd provided vital agronomical expertise on research initiatives aimed at enhancing the quality of planting materials and developing control measures against Ganoderma disease, which typically affects mature palms.

Our long term R&D breeding plan is to produce elite planting materials using marker assisted genomewide selected palms from our molecular marker assisted breeding selection. This will lead to a more precise prediction of superior parents for seed production and reduce the selection period.

We are participating in the oil palm genomic project for development of genomic resources that can be applied in our molecular assisted selection in oil palm breeding. We are collaborating with University of Nottingham Malaysia Campus towards the development of a molecular tool box to verify the purity of oil palm seedlings, which should be completed in mid-2013.

Outlook

The year under review was most certainly a challenging one for the plantation sector. As we look towards the future, assessing how CPO prices will fare in 2013 will remain a complex effort. Even leading vegetable oil analysts have immensely differing views on the price points for CPO. The fact remains, it will be a volatile year for the oils and fats industry.

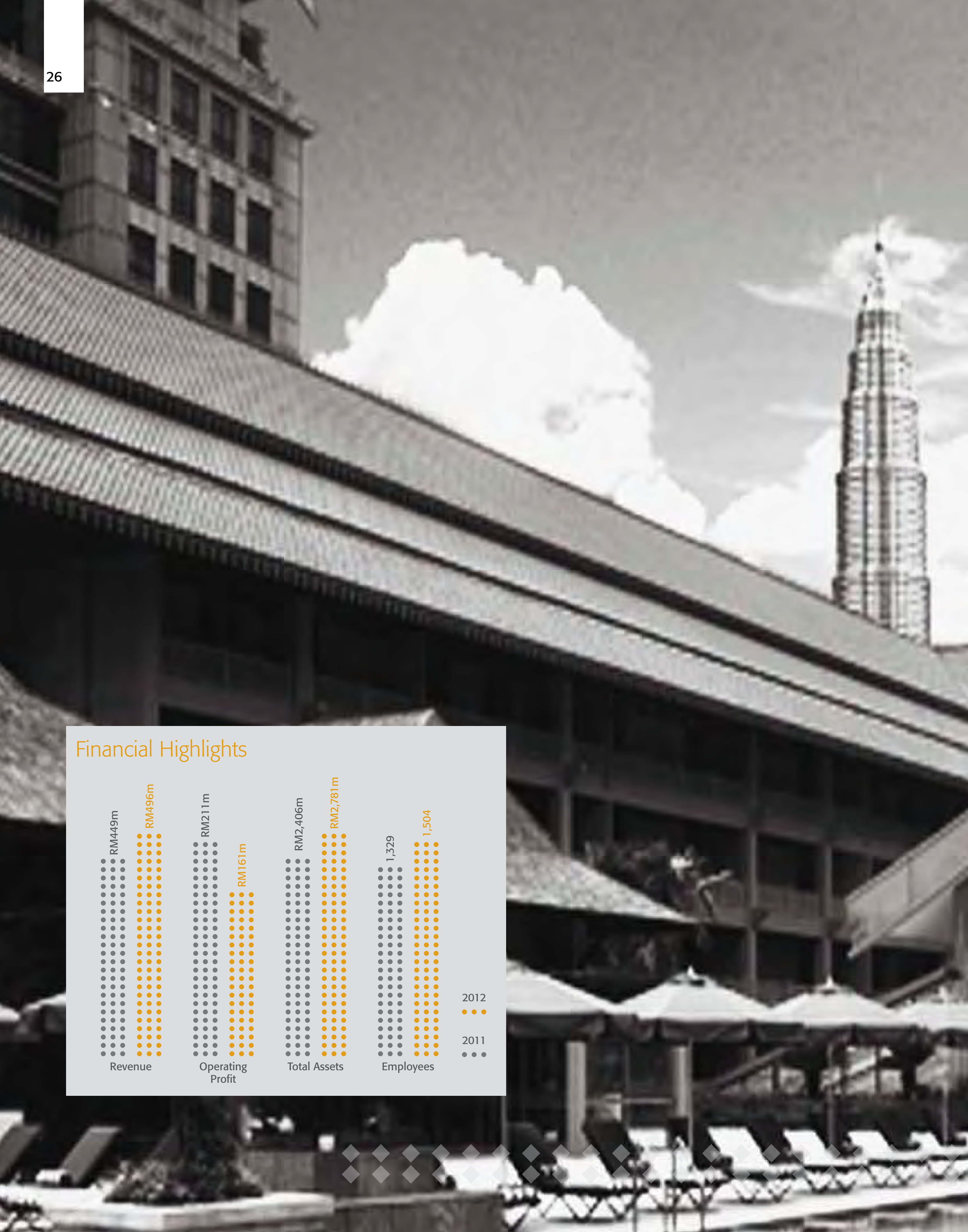
Drawing from 2012, we expect the global economic situation, volatile weather, record high stock levels, lower seed oil production forecasts and the uncertainty of soybean prices to influence the poor visibility of determining trends for CPO prices. Operational costs will certainly jump in 2013 as the minimum wage takes effect, which will have an adverse impact on the Division's bottom line.

Another key factor which will have an impact on prices will be the CPO tax structure in Malaysia. The Government will introduce a flexible CPO export tax structure which will be accompanied by the abolishment of duty free CPO export quotas. Of course, it is expected that these efforts by the Government will stabilise the downtrend in CPO prices. In spite of the dark clouds overshadowing CPO prices, there are fundamental factors that will have the potential to lead prices into a better territory.

Foremost is the fact that with the reduction of taxes and abolishment of quotas, exports should increase thus impacting prices positively as stock level drops. As vegetable oil prices approach that of crude mineral oil, vegetable oils become an increasingly attractive option for biodiesel production. As a matter of fact, the Government is implementing the B10 biodiesel programme from B5 to ensure an additional up take of 500,000 MT of CPO for the biofuel sector.

Above all, consumers worldwide are becoming more dependent on CPO due to the insufficient production of other oils and fats. Furthermore, the wide discount of more than US$300 per MT to soyoil is untenable for the long term. There are even bullish prospects for a global shift in demand for CPO given the considerable shortage in soft oils. For as long as CPO remains a cheaper alternative, it will have the potential to steer buyers towards CPO.

With a possible decline in supplies of competing vegetable oils, we are hopeful that CPO will recover in the first half of 2013 and trade towards the RM2,400 to RM2,600 range. Prices may return to a bullish trend again if it breaks above RM3,000 in 2013.


Financial Highlights
RM449m
RM496m
Revenue
RM211m
RM161m
Operating Profit
RM2,406m
RM2,781m
Total Assets
1,329
1,504
Employees
2012
2011

The Property Division undertook a series of initiatives during the year to strengthen its future prospects while improving the appeal of its various investments and products. Given that appreciation in values of our properties were lower, the Division registered a profit of RM161 million.

property division

property division

Property Investment

In spite of the drop in fair value gains, this segment of our business registered a profit of RM110 million. Our prime investment properties particularly in the Golden Triangle of Kuala Lumpur continued to be well received, enjoying almost full tenancies. Coupled with this, our retail investment properties namely, the Curve, eCurve and Curve NX are well tenanted with a good mix of local and international retailers, with rentals on the uptrend.

The Group undertook a bond issuance to raise RM900 million via the disposal of Menara Boustead, Menara Affin, the Curve, eCurve and The Royale Bintang Curve to a special purpose vehicle (SPV), Mecuro Properties Sdn Bhd. This SPV is a wholly owned subsidiary of ours, thus ensuring that these investment properties remain within the Boustead Group. The RM900 million raised was used to pare down debt and invest in the acquisition of new land banks.

Revenue
RM496 million

Profit Before Tax
RM161 million

CHIEF EXECUTIVE'S REVIEW

As consumer spending grows in Malaysia accompanied by a stronger level of disposable income, a number of new shopping malls have emerged in the Klang Valley, increasing competition in this sector. Regardless of these factors, the Curve and eCurve attracted shopper interest, with an offer of more retailers to cater for current fashion and food and beverage trends. In this respect, our malls attracted a range of new outlets which included Timberland, Puma, Floor Depot, Western Union, Bulgogi Brothers, San Francisco Coffee, Laser Warzone, and Hip & Hoop by Nike amongst many others.

The ever popular CIMB Malaysian Open Squash Championship, BHPetrol Orange Run, Fashion Week, annual festival celebrations during Hari Raya, Chinese New Year as well as Christmas and of course the year end celebration which culminates in the New Year street party, are yearly events that increase footfall to our malls. Kidzania, located at Curve NX, is an indoor children's theme park, providing children with the opportunity to role play adults in 90 different occupations including pilot, doctor, surgeon, entrepreneur, journalist and fireman. The Group has a 20% equity interest in KidZania Kuala Lumpur. KidZania Singapore, which is also jointly owned by Khazanah Nasional Berhad and the Boustead Group, will be opening in Singapore's Sentosa Island when its standalone building is completed in early 2015.

the Curve, eCurve and Curve NX are well tenanted with a good mix of local and international retailers, with rentals on the uptrend.

During the year, the Curve and eCurve stepped up its security measures which led to the installation of a police beat base manned by Polis DiRaja Malaysia (PDRM) at the Piazza of the Curve. To complement the beat base, regular joint patrols have been initiated throughout the malls by RELA and PDRM officers. Additionally, we increased the number of security guards as well as the frequency of patrols within our malls. We also increased the frequency of patrols on foot, motorcycle and buggies. Our basements are now fully lit round the clock and at designated areas our security guards are equipped with reflective vests as well as batons, while some buggies are installed with beacon lights in order to enhance their visibility.

Our security personnel have also been trained to escort ladies to their cars, especially those who are alone. Among others, enhanced security measures introduced included visual screening at our two basement level car park exits and entrances, providing dedicated motorcycle parking bays manned by security guards and encouraging motorcyclists to remove their helmets for screening before they exit the car park.

Property Development

This segment registered a profit of RM45 million. In the Klang Valley, we successfully completed the construction of 311 units of Surian Residences in Mutiara Damansara. We are currently improving traffic flow with a view to ease congestion, particularly for the corporate lots and offices around Mutiara Damansara.

Our flagship development in Taman Mutiara Rini, Johor, has received a strong following from both property investors and home owners. For 2012, a total of 717 units of double storey terrace and semi-detached houses were launched, while 564 units of double storey and semi-detached houses were physically completed and handed over to purchasers.

Our remaining 750 acres in Taman Mutiara Rini will be developed over the next 10 years and we plan to launch approximately 700 units of residential properties per annum. Demand for gated and guarded residential units in Johor is strong in view of the surrounding developments, especially in Iskandar. For our future launches, we will track these trends as we hope to capitalise on the demand from neighbouring countries as well as with the EduCity in Johor taking shape.

In fulfilling our corporate obligation, we held a groundbreaking ceremony to launch the affordable home programme in Taman Mutiara Rini which was graced by the Menteri Besar of Johor.

With the acquisition of several prime parcels of land in the Kuala Lumpur city centre, we will commence physical work for our condominiums at Jalan Cochrane, as soon as approvals from the local authorities are obtained. A key consideration in the design of these units is the availability of public transportation in the form of the Mass Rapid Transit system that will traverse Jalan Cochrane together with the conveniences of a shopping mall nearby.

Hotels

This segment saw sustained profitability which was supported by strong occupancy levels for The Royale Bintang Curve and The Royale Bintang Kuala Lumpur. A further accolade was achieved by The Royale Bintang Kuala Lumpur which won the Best Golden Circle award from Agoda, a major online booking company in the hotel industry.

The Royale Chulan Kuala Lumpur proved to be an award-winning hotel of choice for hosting high-end functions as well as international conventions. Among the notable recognitions received was the multiple awards from the Malaysian International Gourmet Festival 2012 and more importantly this hotel made it to the top 25 hotels in Kuala Lumpur out of 217 hotels surveyed by the world famous Trip Advisor website. The hotel also received its official five star rating from the Ministry of Tourism.

The highlight for the hotel segment for the financial year was the opening of The Royale Bintang Damansara. As the only hotel in the country with an indoor ice-skating rink, it operates 370 rooms, nine food and beverage outlets, 12 function rooms and two ballrooms with a capacity of up to 1,000 people. To date, the property has received overwhelming response from both corporate as well as Government clients. The hotel's ballrooms are booked very much in advance for weddings, annual dinners, conferences and social events.

The Royale Bintang Resort & Spa Seremban experienced improved occupancy rates and continues to be a popular venue for local events in Seremban. The construction of The Royale Bintang Penang is well underway and is expected to be completed end 2013.

The Royale Cherating Resort & Spa, a sprawling 124 units of villas overlooking the South China Sea is expected to start construction in 2013 as soon as approvals have been obtained. This 16 acre resort will be the seventh in the Royale stable of hotels.

Outlook

We have initiated significant efforts in order for us to remain relevant in a very competitive property market by undertaking strategic moves. With this in mind, we acquired 12.8 acres of prime development land in Jalan Cochrane, Kuala Lumpur from LTAT in 2012. This investment, costing RM119 million is earmarked for commercial and residential development. We plan to develop condominiums, offices and a hotel in this part of Kuala Lumpur which is undergoing a rejuvenation exercise.

At Jalan Cochrane, we have entered into a joint venture with the Ikano Group to develop and manage a shopping centre with a net lettable area of more than one million square feet. We plan to connect this shopping mall to the IKEA store, which will be located on an adjacent parcel of land. Subject to approval by the authorities we expect the shopping centre to be operational by 2016. The shopping centre will tap both parties' expertise in developing and managing malls as well as create thousands of job opportunities for young Malaysians and entrepreneurs.

CHIEF EXECUTIVE'S REVIEW

The Group entered into an agreement to acquire 200 acres of prime development land in Bukit Raja, Klang. The strategic acquisition is to synergise combined development with the 700 acres that the Group and LTAT own on adjacent plots in Bukit Raja.

With the completion of the construction of Surian Residences in Mutiara Damansara, we look forward to hand over 311 units of condominiums to home owners and property investors in early 2013.

Over the years, we have positioned ourselves as a strategic niche developer unlocking land value and improving yields for investors in highly strategic land banks. We intend to keep to this strategy as we look towards the future.

The Division performed exceptionally well for the year under review registering a profit of RM110 million, a substantial increase compared with RM45 million in the previous year. This was achieved on the back of an outstanding contribution from the Affin Group along with sustained growth momentum from the Division's other strategic business units, notably University of Nottingham in Malaysia Sdn Bhd and Cadbury Confectionery Malaysia Sdn Bhd.

finance & investment division

Financial Highlights

finance & investment division

The Division is mandated to manage the central treasury requirements for the entire Group. Positive strides were achieved as a result of the paring down of some of our investments, which had a direct impact on reducing net interest cost for the Company. From the investing activities of Boustead Holdings Berhad, we have also achieved a reduction in expenditure.

Affin Holdings Berhad delivered record results for the second consecutive year with a profit before tax of RM834 million, an 18% increase compared with RM709 million the previous year. The financial services group contributed RM130 million to Boustead, a 23% rise over the previous year.

Affin Bank Berhad registered an improved consolidated profit of RM703 million compared with RM613 million in the last financial year. This performance was attributable to strong growth in loans, advances and deposits coupled with resilient asset quality, resulting in a lower net impaired loan ratio for the year.

Revenue*
RM130 million

Profit Before Tax
RM110 million

** Excludes revenue contribution from associates.*

CHIEF EXECUTIVE'S REVIEW

The Bank also increased its market presence and brand visibility via marketing campaigns and the expansion of its branch network to 100 centres nationwide. Meanwhile, customer service levels were improved via enhanced operational efficiency and productivity measures. In order to ensure long-term sustainable growth of the business, the Bank embarked on initiatives to strengthen operational capabilities with a focus on talent development and technology.

Affin Islamic Bank Berhad's contribution to Affin Bank was a profit of RM106 million, a 42% increase compared with RM75 million the previous year. These healthy earnings were driven by loan growth in retail and business enterprise sectors with total financing up by 17% to RM5 billion. Customer deposits rose by 21% to RM9 billion.

Affin Investment Bank Berhad (AIBB) delivered a profit of RM91 million compared with RM89 million the previous year. This was achieved via improved contributions from fee and investment income and the expansion of AIBB's retail stockbroking business with branches in strategic locations.

The inaugural "Politics and Business: The Malaysian Connection" forum organised by AIBB, attended by YABhg. Tun Dr. Mahathir Mohamad who was the keynote speaker

The Bank embarked on initiatives to strengthen operational capabilities with a focus on talent development and technology.

AIBB was involved in notable corporate exercises, be it as adviser, underwriter and joint placement agent for initial public offerings, principal adviser and lead arranger for bonds issuance and joint mandate lead arranger for syndicated loans, amongst many others. With this string of successes, AIBB has moved up in the league tables and has bagged industry awards for their outstanding research.

Affin Fund Management Berhad's (AFMB) contribution to AIBB was a profit of RM9 million. Growth in assets under its management stood at RM1.9 billion, an impressive 126% increase. AFMB's performance was buoyed by the launch of Affin 1Wholesale Fund and Affin 1-iWholesale Fund, bringing total unit trust funds under the management to ten. This was further supported by marketing initiatives and the aggressive expansion of distribution channels.

finance & investment division

AXA Affin General Insurance Berhad (AAGIB) reported an 18% increase in gross premiums, which rose to RM827 million compared with the previous year's RM700 million. Important contributors were the motor and health insurance segments, as distribution channels were strengthened and there has been substantial growth in new markets within these areas.

In tandem with this, there has been an elevation in service levels across AAGIB, with a clear strategy for growth opportunities in the next financial year.

AXA Affin Life Insurance Berhad (AALIB) registered a profit of RM4 million on the back of a 15% growth in gross premiums amounting to RM229 million compared with RM200 million in the previous fiscal year. These improved results were supported by weighted new business premiums of RM100 million, while Bancassurance, another distribution platform achieved a 13% growth in new business premiums. Higher investment income and realised gains also contributed to AALIB's performance.

Affin Moneybrokers Sdn Bhd recorded a lower profit of RM2.7 million (2011: RM3.3 million) largely due to a volatile economic market which adversely impacted trading volume.

Kao (Malaysia) Sdn Bhd performed well, registering profit and revenue growth despite increased competition in the fast moving consumer goods sector and cautious consumer spending. Discerning consumers view our stable of brands as a preferred choice, which was further boosted by the introduction of innovative value-added products to our 'Biore', 'Liese', 'Attack' and 'Laurier' brands.

Cadbury Confectionery Malaysia Sdn Bhd maintained its pole position as a leader in the confectionery industry, registering strong results with a profit contribution of RM11 million to the Boustead Group. Building on its strategic portfolio of brands,

Cadbury's performance was bolstered by contributions from its core brand Cadbury Dairy Milk which saw improved sales driven by lucrative marketing campaigns. The successful integration with Kraft Foods has brought about immediate positive benefits, particularly from the distribution strength of the Kraft brands in traditional markets.

Drew Ameroid (Malaysia) Sdn Bhd generated a modest profit for the year, registering an increase in turnover despite an uncertain economic climate which saw higher product costs. In order to meet customers' needs, the company will maintain its focus on driving sales via new products and services, including the supply of innovative water treatment systems and equipment.

Boustead Credit Sdn Bhd experienced a challenging year as the market was adversely affected by new stringent policies established by regulators. This resulted in decreased demand in the secondhand car financing segment as well as higher interest rates on motor vehicles.

UNMC played host to the Right Honourable David Cameron, Prime Minister of the United Kingdom and YAB Dato' Sri Najib Tun Razak, Prime Minister of Malaysia as part of the international summit, Global Movement of Moderates held on UNMC's campus

University of Nottingham in Malaysia Sdn Bhd, also known as University of Nottingham Malaysia Campus (UNMC), recorded a jump in profit amounting to RM5 million (2011: RM1.9 million).

Today, UNMC is a globally recognised higher-education institution with over 4,400 foundation, undergraduate and postgraduate students. Around 35% of students are international, representing over 60 nations.

The Campus provides a high-quality learning environment where students benefit from excellent facilities and small class sizes with a student to staff ratio of less than 20:1. There are currently over 200 members of academic staff, which include senior staff seconded from the University of Nottingham UK as well as highly-qualified international and local personnel. UNMC enjoys *Tier 5, Excellent* status in the official Rating System for Malaysian Higher Education Institutions.

Significant investment is being made in the student experience with the development of new on-campus student accommodation, which will result in an additional 1,200 beds. UNMC has also introduced new degree programmes including two undergraduate courses in English, an MSc in Environmental Engineering and an MSc in Investment and Islamic Finance.

UNMC is a research intensive institution that benefits from extensive collaborations with Nottingham campuses in the UK and China. It has successfully obtained competitive research funding from the Malaysian Government and other external institutions with research income topping RM5 million in 2012. Collaboration with the prestigious Crops for the Future Research Centre has also provided significant ongoing funding for a range of doctoral projects.

Asia Smart Cards Centre (M) Sdn Bhd was impacted by reduced economies of scale during the year, as a result of increased audit and certification fees as well as a diversification of cards.

The Division achieved excellent results this year, reporting a jump in profit of RM80 million, representing an 18% increase compared with last year's profit of RM68 million. This year's results from Pharmaniaga Berhad are based on a 12 month contribution compared with 2011, which was only for nine months.

pharmaceutical division


Financial Highlights
RM1,258m
RM1,812m
RM68m
RM80m
RM1,253m
RM1,336m
1,479
1,585
Revenue
Operating Profit
Total Assets
Employees
2012
2011

pharmaceutical division

Logistics & Distribution

The Concession Agreement (CA) with the Ministry of Health (MOH) which forms the pillar for revenue and profitability for this business unit has experienced strong organic growth on a year on year basis. In order to strengthen our service levels for MOH, enhancements to the order fulfilment process along with proper inventory management, reduction in back orders amongst other initiatives were undertaken during the year.

As MOH is a key client, we have taken active steps to ensure customer satisfaction and one of the imperative efforts during the year was the allocation of one dedicated call centre agent to each state in Malaysia, allowing us to cater to their various requirements. Downtime was reduced considerably and customer service agents were able to respond more efficiently to the needs of this client.

Revenue
RM1.8 billion

Profit Before Tax
RM80 million

CHIEF EXECUTIVE'S REVIEW

With a view to raise the calibre of our customer service, which remains at the core of our growth prospects, a survey on the performance of our Malaysian operations was carried out during the year resulting in a marked improvement in our service levels, with respondents rating our performance positively.

In tandem with the growth in business opportunities pertaining to the CA, we have also strengthened our consumer healthcare business both domestically as well as internationally. Our proprietary brand CITREX has performed well, increasing its market share, while Baraka which we distribute exclusively for our Middle Eastern clients has seen much upside in terms of contribution to the Division's revenue.

Apart from our current product portfolio, we have introduced a range of new products to our generic prescriptions portfolio. This included the "Wound Care Unit" and the rapid dengue test kit "My Denkit", both of which have had an immediate positive impact on revenue generation. In addition, we made progress into the area of oncology treatment with irinotecan along with the introduction and launch of other products.

Enhancements to the order fulfilment process along with proper inventory management, reduction in back orders amongst other initiatives were undertaken during the year.

The Indonesian market holds much potential and given our investment in our listed entity PT Millennium Pharmacon International Tbk, we saw an improved revenue contribution to the Division. Noteworthy efforts were achieved particularly in operational efficiency and enhanced customer satisfaction due to the implementation of a quality management system in Indonesia. This resulted in significant operational and quality improvements at our warehouses and branches.

To demonstrate our confidence that Indonesia holds much potential, all our 29 branches have upgraded their chill storage facilities to comply with local regulations. To complement this, several branches have been relocated to new premises with larger warehouse capacity with a view to providing more storage space while creating a conducive working environment for our staff. In full compliance with the Indonesian Government's Cara Distribusi Obat Yang Baik specifications, a host of upgrades were completed at all our branches.

pharmaceutical division

Manufacturing

Our manufacturing arm experienced tremendous improvements as a result of refurbishments undertaken at our facilities. During the year we completed the installation of the automatic and integrated blistering and cartoning machinery which resulted in an increase in total installed output of oral solid dosage (OSD). This led to the cessation of most outsource OSD manufacturing.

We undertook the total refurbishment of the sterile injectable Cephalosporin antibiotic manufacturing line at our Bangi plant. At the Seri Iskandar plant, commercial production of sterile injectable penicillin is targeted for 2014. The fill-and-finish parenteral facility at our Puchong plant is close to obtaining European Union (EU) certification. These efforts have strengthened our pole position as a leading Malaysian manufacturer in the pharmaceutical sector.

As we operate in a highly regulated sector, and rightly so due to the nature of our products, we worked with the National Pharmaceutical Control Bureau (NPCB) to ensure that bio-equivalent studies are performed for all immediate release OSD drugs. To date we have 42 products which have achieved bio-equivalent status. Apart from this, 16 products are pending evaluation by the NPCB and 12 are in the process of an on-going bio-equivalent study.

Research and Development

We are conscious that research and development is the cornerstone for us to drive our next wave of growth. To this end, we registered 13 new products for the Malaysian market and successfully ensured that five of these were approved for commercialisation. On the drawing board are numerous products that are at various stages of completion with a view for registration. These products range from galenical to solid and injectables.

We maintain that the traditional complementary medicine market, particularly in Asia and more so in Malaysia, holds much potential for future business growth. In line with the Government's National Key Economic Area Entry Point Projects, collaborative research between the clinical affairs team and the Government continues to progress. We are confident that developing and commercialising local herbs, particularly Kacip Fatimah and Patawali, will add value to our product portfolio in the long run.

Outlook

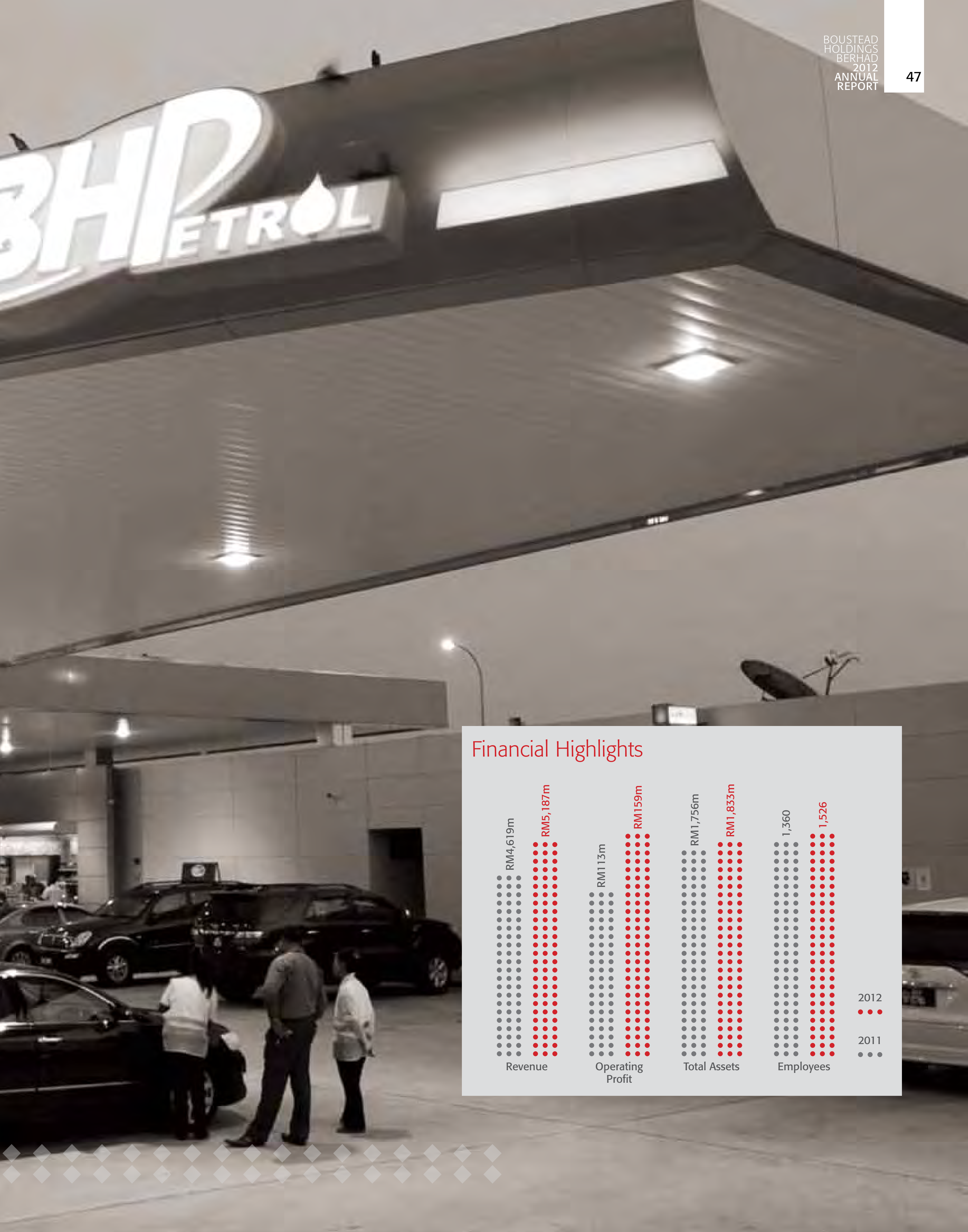
The healthcare sector bodes well for our business prospects. We will strengthen and explore new efforts to add value to the CA. Already in the pipeline there are plans to implement the pharmacy information system which will serve as an important tool in reducing medication errors and improving the overall healthcare delivery at hospitals and clinics. This will allow us to accept contract manufacturing projects of sterile injectables from EU multinational companies.

We expect the year ahead to be a positive one for the Division as we have laid strong foundational stones that will drive growth while we strive to sharpen our business processes.

Our focus on Indonesia is to open new branches as well as facilities improvements. We anticipate that with these improvements, we will be able to escalate our product offerings to a vast market network of hospitals, pharmacies and drugstores in Indonesia.

The Division performed exceptionally well, reporting a record profit of RM159 million compared with RM113 million last year, representing a 40% jump. The single largest contributor to profitability was Boustead Petroleum Marketing Sdn Bhd followed by some of the other business units.

trading & manufacturing division


Financial Highlights
RM4,619m
RM5,187m
Revenue
RM113m
RM159m
Operating Profit
RM1,756m
RM1,833m
Total Assets
1,360
1,526
Employees
2012
2011

trading & manufacturing division

Boustead Petroleum Marketing Sdn Bhd (BHPetrol) achieved steady growth with a profit of RM148 million compared with RM95 million in the previous year. These solid results have set a new benchmark for the business, with a robust performance achieved in spite of intense competition in the downstream petroleum industry.

Profit for the year was also supported by a gain of RM40 million due to a divestment exercise for the disposal of two properties. The first was in relation to the Government's Mass Rapid Transit project, while the second capitalised on an opportunity to unlock asset value.

Operationally, the achievements for the year would not have been possible without BHPetrol's well planned three-pronged strategy. This entailed our relentless focus on product leadership, which resulted in strong brand building efforts and successful consumer loyalty programmes.

Revenue
RM5.2 billion

Profit Before Tax
RM159 million

CHIEF EXECUTIVE'S REVIEW

BHPetrol achieved steady growth with a profit of RM148 million compared with RM95 million in the previous year.

One of the milestones for the year in terms of product leadership was the introduction of the fully-synthetic SynGard 8000 lubricant with the latest American Petroleum Institute SN certification. This product offers five times the wear protection required by this important industry certification, positioning it far ahead of all products in this category.

Accompanied by our success in the lubricant market, our INFINITI petrol, which was first launched in 2006, has undergone further product enhancements over the years and is clearly recognised as the premium fuel in the Malaysian market. Our second strategy was to roll out effective marketing programmes, with the intention of increasing traffic throughput to our stations in order to expand our customer base.

To complete this three-pronged strategy, we undertook a disciplined network expansion programme which resulted in the opening of 12 new service stations coupled with the upgrading of five existing ones. As part of this programme, we also launched 12 new BHPetromart convenience stores which were a hit with motorists and consumers alike.

trading & manufacturing division

UAC Berhad recorded a profit of RM20 million (2011: RM14 million), registering an increase of 43%. Though there was strong demand for our products in the domestic and overseas markets, as the year progressed this was dampened by global economic conditions as well as an insufficient workforce in the building industry. With 50% of our total output being exported, the stability of foreign currencies such as the US Dollar and the Pound Sterling aided in generating income from export sales.

Meanwhile, the UCO SolidWall System has been widely accepted domestically, with a number of commercial and industrial projects utilising the system. The innovative system has also been introduced to overseas markets. A new panel system is also in the pipeline to overcome the present day challenges faced by the construction industry due to a shortage of skilled labour.

Boustead Travel Services Sdn Bhd (BTS) registered an increase in profit, driven by its three operating offices and a small dedicated workforce. It offers best in class travel services, booking assistance and optimised transaction processing in its key business activities of corporate ticketing, incentive travel and outbound holiday travel.

Corporate ticketing continues to be its main business segment as it works closely with its key clientele. BTS has maintained its position as one of the top travel management companies in Malaysia.

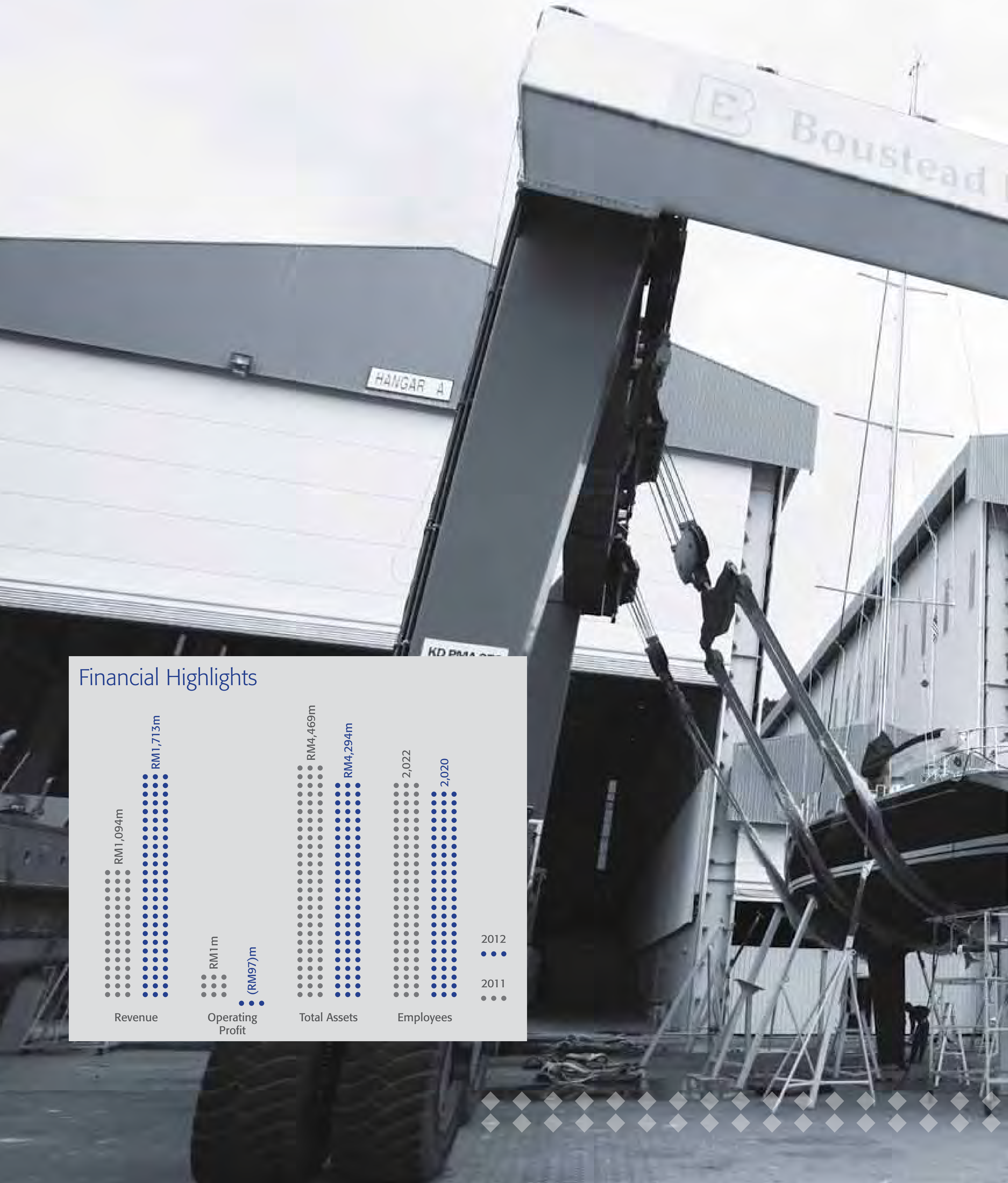
Boustead Shipping Agencies Sdn Bhd was adversely affected by new sanctions imposed on a Middle East carrier vessel represented by the company, leading to a termination of this contract, which affected its bottom line.

Boustead Sissons Paints Sdn Bhd (BSP) experienced a tough year, with a softened sales margin due to stiff competition. Volatility of raw materials added to this challenging environment. To broaden its prospects, BSP acquired protective and marine coating technologies from Berger International Sdn Bhd providing BSP with the opportunity to enter a new paint market.

Boustead Building Materials Sdn Bhd was impacted by a downtrend in the building and construction industry, resulting in reduced earnings. Despite this, the construction of The Royale Bintang Damansara hotel was successfully completed, while the acquisition of Johan Ceramics Berhad and Boustead Sissons Paints Sdn Bhd was also finalised. This acquisition exercise is part of the strategic plan to increase our product range and improve economies of scale.

Boustead Engineering Sdn Bhd registered increased orders and higher revenue contributions in the first half of the year, primarily from the mechanical industrial supplies segment. The latter half of the year however was sluggish, with intensified competition in the wheel loader market. The chemicals business was also impacted by a decline in prices due to stiffer competition.

Boustead Global Trade Network Sdn Bhd ended the year on a strong note, recording a significantly higher profit contribution of 164% compared with the preceding year. These strong results can be attributed to a renewed focus on its core activities following the closure of the warehouse and distribution business last year.



Financial Highlights

It was a challenging year for the Division, which was impacted by external factors, namely depressed economic conditions for the maritime sector. Compounded by internal cost escalations, this led to losses in the commercial shipbuilding segment and a subsequent slump in earnings which saw the Division posting a deficit of RM97 million. Given the size of the losses, we have decided that we will become less reliant on the construction of large commercial vessels in the near future.

heavy industries division

heavy industries division

The key contributing factor was due to a loss of RM112 million by Boustead Heavy Industries Corporation Berhad (BHIC). Boustead Naval Shipyard Sdn Bhd (BNS) delivered a profit of RM33 million while MHS Aviation Berhad's (MHS) profit was RM18 million. In spite of these conditions, these key business units did their utmost to strengthen processes and explore new sources of earnings.

Revenue
RM1.7
billion

Deficit
RM97
million

Shipbuilding - Naval

The emphasis for this business segment remains the construction of the Littoral Combat Ship (LCS) which is driven primarily by BNS. Much progress has been made and during the year, the contractual building specifications for the LCS were finalised with the Royal Malaysian Navy. This resulted in the finalisation of the concept design stage for the LCS, which fulfills its primary mission of detecting, identifying and neutralising air, surface and subsurface threats. What is evident is that the LCS will be bigger, faster and more sophisticated than the first generation vessels.

CHIEF EXECUTIVE'S REVIEW

Shipbuilding - Commercial

The Division was impacted by cost escalations for its commercial shipbuilding projects. In future, we will not incur further cost implications of this nature as we will scale down reliance on construction of large commercial vessels. Our focus will be on developing a portfolio of smaller commercial craft that will afford us a share of control over design, which will lead to the construction of multiple units or repeat orders.

We successfully disposed of the PSC Tema Shipyard Limited in Africa which net us a gain of RM11 million. Our Malaysian yards have performed satisfactorily with Boustead Penang Shipyard Sdn Bhd having built and delivered another 67.8-metre anchor handling tug, following the completion of our first ship developed with ship control system (DP2) requirements in the previous year. This shipyard also completed two American Bureau of Shipping class 111-metre accommodation barges. Equipped with a helicopter deck and 236 cabins, these barges were built to support mid to long-term offshore activities.

Various business units within the Division namely, BNS, BHIC and MHS did their utmost to strengthen processes and explore new sources of earnings.

Boustead Langkawi Shipyard Sdn Bhd started construction of two 16-metre general purpose harbour tugs. Supplied with a 20-tonne Bollard Pull (pulling capability), the vessels will be utilised by BNS for harbour support duties. Our collaboration with Macduff Ship Design which began in 2011 bore fruit in 2012 as the design created for the general purpose harbour tugs received the stamp of approval from Ships Classification Malaysia, the only local authorised body to undertake classification of ships registered in the country.

Maintenance and Support Services

We have always ensured that the maintenance, repair and overhaul (MRO) business provides a steady stream of earnings to the Division. To reflect this fact, in-service support by Boustead DCNS Naval Corporation Sdn Bhd for the nation's two Royal Malaysian Navy (RMN) submarines, KD TUNKU ABDUL RAHMAN and KD TUN RAZAK, continued to progress smoothly. Our scope of MRO activities included management of all maintenance and industrial activities related to the submarines including technical and logistics engineering aspects, management and supply of spare parts, as well as provision and maintenance of yard facilities and equipment.

BHIC Navaltech Sdn Bhd provided integrated logistics support services for various classes of the RMN fleet throughout 2012. The year also saw the company increasing its foothold in Kuantan where it carried out preventive and corrective maintenance, modification work and other related services.

In Lumut, Kuantan and Kota Kinabalu, BNS's repair division carried out a range of services on RMN ships, namely underwater repair work, refit and the ongoing Service Life Extension Programme. KD HANG TUAH and KD TUN ABDUL JAMIL were delivered during the year after refit work was successfully completed. The Division secured refit work for KD SRI INDERA SAKTI and with the renewal of the rights to provide all scheduled maintenance on RMN vessels, we expect to manage more MRO work for the Navy.

With the aim of completing a full suite of MRO activities, BHIC AeroServices Sdn Bhd has started servicing Malaysian Maritime Enforcement Agency's (MMEA) Dauphin AS365N3 helicopters. We expect our prospects for this business to improve and in tandem with this, a transfer of know-how for our technicians has commenced with Eurocopter Training Services in France for the servicing of EC725 tactical transport helicopters.

Manufacturing and Services

One of the key drivers for this segment of our business was Contraves Advanced Devices Sdn Bhd (CAD), which has a manufacturing licensing agreement with American-based company Raytheon. During the year, CAD and its subsidiary sealed a RM2 billion procurement, engineering and integration contract for the LCS combat management, fire control and communications systems.

The three chemical tankers have performed satisfactorily. MT CHULAN 1 secured a three month extension of its time charter contract at a higher charter rate, while MT CHULAN 2 and MT CHULAN 3 have successfully secured a 13 month contract of affreightment. We expect to be able to secure further extensions for all three tankers for the coming year.

BYO Marine Sdn Bhd (BYO Marine) delivered the final two fast interceptor craft (FIC) to MMEA. This completes our successful construction and delivery of 10 FIC categorised as multi-role tactical platforms, which complies with stringent international standards including Det Norske Veritas and high speed light craft rules.

Indeed, this was an important milestone for the Division as this project was a collaboration with our Turkish partner, Yonca-Onuk Savunma Sanayii A.S. This project also saw an effective transfer of technology to BYO Marine by our Turkish partner, enabling our local workforce to master the construction of advanced composite boats of up to 44 metres. The FIC are well-suited for interceptor roles, anti-smuggling and anti-piracy activities. These craft can also serve as sea ambulances and can be utilised for search and rescue missions, among other uses.

Atlas Hall Sdn Bhd pursued opportunities to undertake projects in marginal oil fields. However due to a challenging year, agency arrangements with Complan and Odjfell Drilling in Norway were unsuccessful. Nevertheless, the company still managed to register a small contribution to the Group.

heavy industries division

MHS Aviation Berhad (MHS) performed well for the year, building on its principal activities, namely the provision of air transportation and support services to oil and gas companies. The company expanded its fleet of EC225 heavy helicopters from Eurocopter Malaysia Sdn Bhd, which brings the total to six helicopters. The 10 year joint contract which supports Petronas Carigali Sdn Bhd, ExxonMobil Exploration and Production Malaysia Inc and Newfield Peninsula Malaysia Inc. remains on track and contributed significantly to MHS revenue.

The ongoing contracts continue to progress smoothly, comprising operations in offshore oil and gas fields in Labuan and Kerteh.

MHS's international presence in Timor Leste has resulted in the formation of a joint venture with the local government to service Bluewater Energy Services BV. The partnership serves as a mechanism to develop the local talent, through on-the-job training by MHS and presents us with an opportunity to be involved in future contracts. The contract in Mauritania with PC Mauritania I Pty Ltd in Nouakchott was also designed with the same intent, and to date, the Company has been operating there for almost four years.

Meanwhile, MHS secured a new contract with Petronas Carigali Sdn Bhd to provide support to its Sarawak operations utilising a Sikorsky S76C helicopter.

An ongoing exercise to ensure fleet optimisation has been implemented. In line with this, idle aircraft with minimal potential were identified for immediate or future disposal. During the year, two aircraft were disposed resulting in substantial gains.

MHS is optimistic on its outlook to continue generating growth for the Group by focusing on its strengths and leveraging on the Group's synergies. Emphasis would be placed on enhancing services to existing clients and exploring new markets for provision of air transportation, namely to risk service contractors working on marginal oil fields and to facilitate drilling activities in East Malaysia.

CHIEF EXECUTIVE'S REVIEW

Outlook

The challenges of the maritime sector will persist in the year ahead, amidst surplus capacity and downward pressure on rates among other factors. Nevertheless, we are committed to enhancing the long-term prospects for this Division, more so as we strengthen our core skills in the naval engineering segment. As part of the Government's Entry Point Project, the Division led by BHIC is investing resources in developing new designs to cater to industry trends and environmental regulations. Our focus will be to emphasise on strengthening our talent pool by training more than 100 local ship designers and system engineers.

In the MRO segment, we are positive the offshore support vessels require a range of services that the Division will be able to cater due to our extensive facilities and strong pool of vendors. At our Jerejak yard, we have heightened our efforts to secure lucrative oil and gas fabrication work. This will be all the more evident given the physical limitations imposed on vessels by the Second Penang Bridge.

The strongest emphasis for the Division will be to kick start the system integration process and software development for the LCS project. A project of this

magnitude requires strong and accurate building blocks in place prior to actual commencement of the physical work. As we lay a solid foundation for this crucial project, we are highly optimistic that we will be able to reap significant benefits once we move to the construction phase. As we build on our know-how and our track record, we hope to secure repeat business for specialised vessels such as the FIC.

From an aviation perspective, we are making steady progress as our business units MHS and BHIC collaborate to provide the Royal Malaysian Air Force with the necessary support. In partnership with Eurocopter, a regional full flight simulator centre has been established for the training of helicopter pilots and crew members. This simulator centre will open a new chapter in the country's defence industry, bringing valuable and beneficial transfer of technology opportunities. We are glad to be part of this important phase in our nation's aviation history.

As a responsible corporate entity, the Boustead Group is ever conscious of our social obligation not only towards the communities in which we operate but also on a national level, as these are the pillars on which our success has been built over the years. With our ongoing corporate social responsibility efforts, we remain committed to making a positive impact via dedicated programmes and initiatives targeted at enhancing human capital development, community, environment and education, with a view to improving the lives of all Malaysians.

CORPORATE RESPONSIBILITY

Human Capital

As we pursue our numerous corporate social responsibility initiatives, the welfare of one of our most important stakeholders, namely all Bousteadians, is foremost in our minds. The Group's rich and diverse talent pool has indeed been a key driver in our growth, as it is only through the skills and competencies of our employees that we have been able to move forward. In order to meet our needs as we continue to expand, we are dedicated to providing our existing workforce with opportunities for career development, while at the same time taking steps to widen our talent pool.

To this end, the Group has a broad range of ongoing personal development programmes in place in order to enable our employees to strengthen their capabilities and advance on their career paths. This includes Group-wide skills training programmes as well as leadership and motivational workshops to inspire our workforce to unlock their full potential.

In broadening our talent base, we supported Skim Latihan 1Malaysia. On the job training was made available to interns in various areas to further their skills, knowledge and competencies. The success of the programme is evident as most of the interns were able to secure permanent employment within the Group.

CORPORATE RESPONSIBILITY

Crèche at UNMC

To improve the living conditions for staff on our plantation estates, we have upgraded accommodations and facilities. We provided several amenities including transport subsidies for the children and the establishment of children's playgrounds. We also held our annual sports and games carnival for our staff.

Recognising the need for a childcare centre for our staff at the University of Nottingham Malaysia Campus, a crèche was established. It is able to accommodate up to 30 children aged between three months to three years old. On campus staff housing was also completed during the year.

The Plantation and Heavy Industries Divisions, in an effort to strengthen ties between our employees and local communities made donations to community mosques and participated in religious activities such as engaging Tahfiz to lead Tarawih prayers during Ramadan and organising Qurban during Idul Adha. The various Divisions also hosted Hari Raya Puasa open houses, engaging with their staff as well as community members.

Community

Given the magnitude of the Group's size, there is a vast spectrum of communities to engage across all six Divisions as well as with our majority shareholder. Contributions to disadvantaged communities and members of society in one form or another are the mainstay of our corporate social responsibility efforts. The Group embarked on initiatives aimed at supporting orphans, underprivileged children, single mothers, poor neighbourhoods, schools, indigenous communities, senior citizens and the disabled.

Amongst the vast array of organisations that we supported in the year under review, included were financial contributions to Yayasan Raja Muda Selangor, Badan Amal Tenaga Isteri Wakil-Wakil Rakyat Negeri Johor, Masjid Jamek Al Fatah, Rumah Seri Kenangan, Rumah Nur Hikmah and Pertubuhan Kebajikan dan Pendidikan Nur Kasih Selangor. We also provided aid to organisations such as Pusat Jagaan Sayang, Persatuan Ehsan Wanita dan Anak-Anak Kuala Lumpur (PEWANIDA) and Persatuan Sokongan Ibu dan Anak Kurang Upaya Azwar, to name a few.

During the year, the Curve and eCurve played host to a number of events in aid of good causes, including Lifebuoy's Global Hand Washing Day, the National Kidney Foundation Roadshow, the National Cancer Council's Awareness Programme, Institute Jantung Negara's Fundraising Roadshow, a book drive campaign for charity homes with Fly FM and AXA Affin's Health and Protection Fair.

As a staunch advocate of healthy living, the Group is actively involved in sporting initiatives. For the sixth consecutive year, the Curve was the official venue for the CIMB Squash Malaysian Open 2012. In addition, this year marked the seventh annual Orange Run organised by BHPetrol with 4,500 people taking part, the highest number of participants to date. The event collected RM30,000 which was donated to three orphanage homes, namely Pusat Jagaan Anak Yatim Miskin Penyayang Nur Iman Kuala Lumpur, Ti-Ratana Welfare Society and Stepping Stone Living Centre.

In partnership with the Pink Ribbon Deeds or PRIDE Foundation, Kao (Malaysia) Sdn Bhd launched the Love & Live breast cancer awareness campaign, which focuses on educating women on early detection and improving accessibility to treatment. The campaign aims to reach out to women in rural communities.

BHPetrol undertook a Public Safety campaign in collaboration with the Ministry of Domestic Trade, Cooperatives and Consumerism, inculcating increased awareness of conscientious habits at petrol stations. This campaign was rolled out in Melaka, Negeri Sembilan, Selangor and Wilayah Persekutuan, reaching out to motorists, petrol station dealers and students.

This was the second year that BHPetrol collaborated on a television programme which highlighted the real life stories of underprivileged families in Malaysia. This segment raised significant awareness on the importance of aiding those in need.

CORPORATE RESPONSIBILITY

In order to ease the burden of those impacted by natural disasters, during the year the Group provided financial support to those who suffered losses caused by a storm in Seri Manjung, Perak. In Sabah, the Group aided victims of a fire at a long house, distributing medical supplies and financial aid.

The students of UNMC took the initiative to undertake community development programmes, including the Nottingham Brings a Smile Annual Charity Carnival 2012, which raised funds for the Malaysian Council for Rehabilitation and the Malaysian Rare Disorders Society. Meanwhile, the UNMC Chapter of Students in Free Enterprise and AIESEC took part in schemes to assist Orang Asli communities to develop sustainable businesses.

Elephant management research undertaken by UNMC

In the spirit of 1Malaysia, the Group adopted a 'muhibbah' approach during local festivities and reached out to a number of charitable homes, including Kajang Caring Old Folks Home, Rumah Seri Kenangan, House of Joy, Yayasan Chow Kit, PEWANIDA, Rumah Baitul Fitrah Rawang Country Home, Rumah Limpahan Kasih, and many others. In addition, the Group provided financial contributions to Hindu and Buddhist communities in Pulau Jerejak to enable them to fulfil their religious obligations.

For the month of Ramadan, numerous 'Buka Puasa' events were held with orphanages and old folk's homes, as well as needy communities.

In recognition of the invaluable efforts of the Malaysian Armed Forces, a donation was made to Tabung Kebajikan Angkatan Tentera during Ramadan.

We are always conscious of our obligation to our majority shareholder, LTAT, and their constant aspiration to support the welfare of members of the Armed Forces. Reflecting this, the Group supported the 1Malaysia Privilege Card Programme launched by the Prime Minister, benefitting 250,000 members of the Armed Forces and Polis DiRaja Malaysia (PDRM) by providing them with a wide range of discounts at various merchants, including BHPetrol. This was extended to 350,000 retired servicemen via the 1Malaysia Veterans Recognition Programme.

The 'Skuad Operasi Sihat' campaign saw Pharmaniaga collaborating with the Ministry of Health (MOH) and MERCY Malaysia by bringing health awareness campaigns to various neighbourhoods in states throughout Malaysia including Kedah, Kelantan, Negeri Sembilan, Pahang, Perlis, Sabah, Sarawak and Selangor. Via this campaign, the Group organised activities such as blood donation drives, free medical check-ups and health screenings as well as talks to educate the public and raise the standard of healthcare in urban and rural communities. Phamaniaga also supported MOH's Healthy Living for the Community campaign in Johor and Penang.

Reaching out across Malaysian borders, Pharmaniaga contributed medical supplies worth over RM400,000 to the Perdana Global Peace Foundation, a humanitarian organisation which supports victims in the Gaza Strip.

Education

Recognising that education plays a significant role in our nation's development, the Group has maintained its focus on enhancing Malaysia's educational standards in order to cultivate a knowledge-based society.

Our core platform to reach out in the realm of education is via Yayasan Warisan Perajurit, a charitable foundation established by the LTAT group of companies led by the Boustead Group. This foundation has achieved significant strides in contributing to the welfare of Armed Forces personnel and their families. Scholarships to the children of our gallant men and women along with allowances and educational materials have been a much needed and constant source of support over these many years. Boustead contributed RM7 million in 2012 bringing the total contribution since the inception of Yayasan Warisan Perajurit to RM38.5 million.

CORPORATE RESPONSIBILITY

In an effort to nurture the academic performance of students at underprivileged schools, the Group adopted two underperforming primary schools in Kedah and one primary school in Perak under the PINTAR programme. As part of the programme, we sponsored a number of educational visits, motivational camps and seminars as well as tuition classes at these schools.

The Group firmly believes in enriching the country's young minds. To this end, we contributed books and learning materials to Sekolah Kebangsaan Chuping in Mata Ayer, Perlis. We also made contributions to Sekolah Kebangsaan Taman Mutiara Rini 2, Sekolah Menengah Kebangsaan Mutiara Rini and Sekolah Agama Lima Kedai in Kampung Melayu, Johor.

BHPetrol collaborated with the Ministry of Education and PDRM to launch 'Cerah Ceria Seperti Saya', a programme which educates primary school students on road safety. A total of 800 students from Sekolah Kebangsaan Pelabuhan Klang participated in the programme, along with 40 students from schools within the Port Klang district.

In the field of higher education, the Group provided undergraduate students with valuable exposure to the working world. Via a training programme with Boustead Penang Shipyard Sdn Bhd (BP Shipyard) as well as organised visits, students from local institutions were able to glean an insight into the maritime sector and gain practical hands-on experience. In addition, BP Shipyard is currently collaborating with the Northern Corridor Implementation Authority to develop more programmes to cultivate local talent in the sector.

In line with the Government's Entry Point Projects, we are aware that the shipbuilding and ship repair industry is in vital need of skilled workforce. The Young Engineer Scheme Programme provides training for fresh engineering graduates, with the aim of creating a highly skilled talent pool to propel the industry to the next level. As of November 2012, a total of 19 participants have successfully completed the programme and have subsequently been offered employment.

UAC Berhad embarked on its fourth annual Architectural Students Design Awards, which saw UAC partnering with institutions of higher learning to prepare architectural students for the transition from academia to the marketplace. This initiative serves as an avenue for students to express their creativity in design projects while increasing their career prospects and employability post-graduation.

The year saw UNMC establishing the Nottingham Potential (Malaysia) Scholarship Fund to provide aid to deserving students hindered by financial hardship. The scholarship also supports students whose educational opportunities are impacted by environmental or political challenges.

Environment

As a firm believer in preserving and protecting the environment, we are dedicated to maintaining sustainable business practices. The Group has implemented various eco-friendly initiatives throughout our production processes and operations, which we continually upgrade in order to abide by current environmental regulations.

With a view to reducing pollution, we closely monitor our waste water quality, air emission levels, management of waste storage and licensed disposal as well as energy conservation.

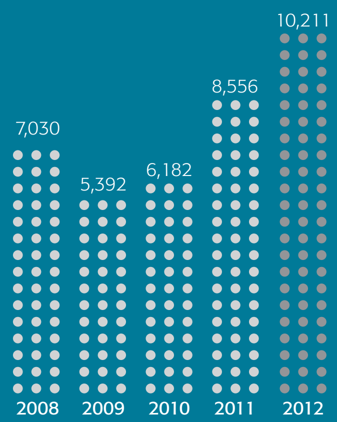
We are committed to utilising sustainable agricultural practices on our plantation estates. Our Sungai Jernih Business Unit was accredited with the Roundtable of Sustainable Palm Oil (RSPO) certification in 2011 and successfully retained this in 2012. We anticipate that our Nak Business Unit in Sandakan, Sabah will receive RSPO certification in 2014.

In support of the Government's drive to reduce greenhouse gases as one of the Entry Point Projects, the Group will commence the construction of our first biogas plant in 2013, with the aim of establishing these facilities in all our palm oil mills by 2020. Along with utilising biogas for our mills energy needs, this will cut down on carbon emissions.

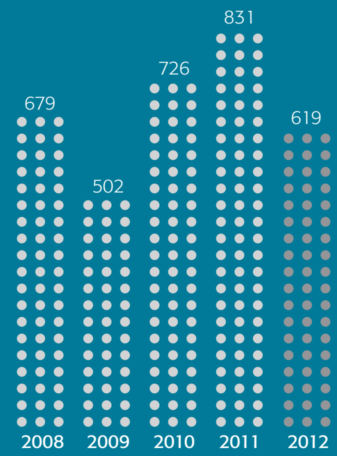
Meanwhile, UAC Berhad's eco-friendly range of products for the manufacturing sector was accredited with Type III Environment eco-labelling by the German Institute of Construction & Environment and the Green Label by the Singapore Environment Counsel. It is currently pursuing the SIRIM Eco Label certification.

FIVE-YEAR FINANCIAL HIGHLIGHTS

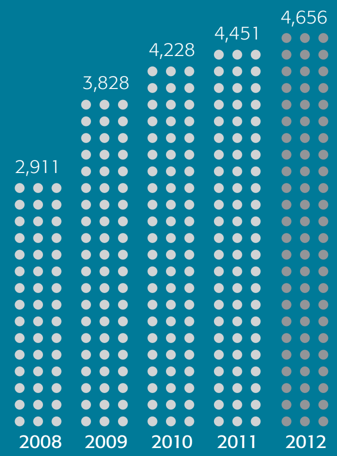
Revenue
(RM Million)



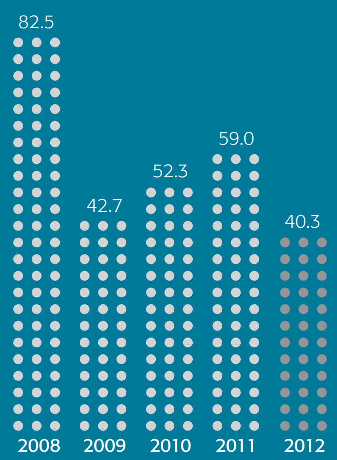
Profit Before Taxation
(RM Million)



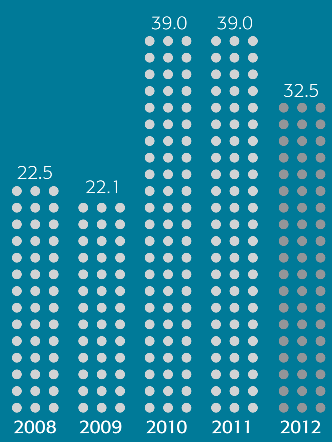
Shareholders' Equity
(RM Million)



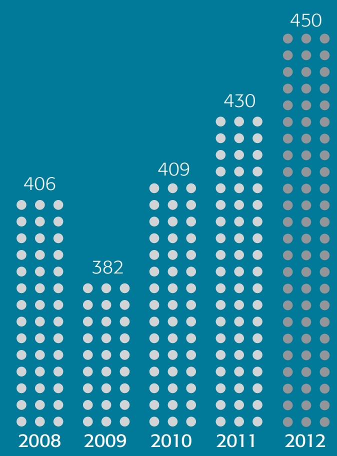
Earnings Per Share
(Sen)



Dividend Per Share
(Sen)



Net Assets Per Share
(Sen)



		2012	2011	2010	2009	2008
FINANCIAL PERFORMANCE						
Revenue		**10,211**	8,556	6,182	5,392	7,030
Profit before taxation		**619**	831	726	502	679
Profit after taxation		**518**	732	625	418	668
Profit attributable to shareholders		**417**	611	538	342	579
Earnings per share	sen	**40.3**	59.0	52.3	42.7	82.5
Return on equity	%	**9.2**	14.1	13.3	10.1	22.0
Return on assets	%	**6.3**	9.4	9.0	7.1	9.7
Return on revenue	%	**5.4**	7.1	9.4	7.5	8.7
DIVIDENDS						
Dividend payment		**336**	375	367	184	145
Net dividend per share	sen	**32.5**	39.0	39.0	22.1	22.5
Dividend yield	%	**6.3**	6.7	7.3	6.4	6.6
Dividend cover	times	**1.2**	1.6	1.5	1.9	4.0
GEARING						
Borrowings		**6,610**	5,095	3,163	2,944	3,503
Gearing	times	**1.4**	1.1	0.8	0.8	1.2
Interest cover	times	**3.9**	5.1	7.4	4.9	5.4
OTHER FINANCIAL STATISTICS						
Net assets per share	sen	**450**	430	409	382	406
Share price – high	sen	**596**	650	605	452	725
Share price – low	sen	**486**	449	326	300	218
Price earning ratio	times	**12.9**	9.8	9.3	7.4	3.8
Paid up share capital		**517**	470	470	456	326
Shareholders' equity		**4,656**	4,451	4,228	3,828	2,911
Total equity		**5,382**	5,203	4,699	4,275	3,296
Total assets		**13,887**	12,723	9,268	9,088	8,679

All figures are in RM million unless otherwise stated.

CORPORATE INFORMATION

DIRECTORS

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

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

Dato' (Dr.) Megat Abdul Rahman Megat Ahmad

Datuk Azzat Kamaludin

Dato' Ghazali Mohd Ali

Datuk Francis Tan Leh Kiah
(Appointed on 11 October 2012)

Lt. Gen. Dato' Mohd Yusof Din (R)
(Retired on 9 April 2012)

REGISTRAR

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

SECRETARY

Pn. Sharifah Malek

REGISTERED OFFICE

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

PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
Ambank (M) Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
The Bank of Nova Scotia Berhad
United Overseas Bank Berhad

AUDITORS

Ernst & Young

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

HOLDING CORPORATION

Lembaga Tabung Angkatan Tentera

FINANCIAL CALENDAR

Financial Year

1 January to
31 December 2012

Results

First quarter
Announced
28 May 2012

Second quarter
Announced
22 August 2012

Third quarter
Announced
20 November 2012

Fourth quarter
Announced
25 February 2013

Annual Report

Issued
15 March 2013

Annual General Meeting

To be held
8 April 2013

Dividends

First interim
Announced
28 May 2012
Entitlement date
15 June 2012
Payment date
29 June 2012

Second interim
Announced
22 August 2012
Entitlement date
14 September 2012
Payment date
28 September 2012

Third interim
Announced
20 November 2012
Entitlement date
17 December 2012
Payment date
28 December 2012

Fourth interim
Announced
25 February 2013
Entitlement date
18 March 2013
Payment date
29 March 2013

BOARD OF DIRECTORS

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

Tan Sri Dato' Seri Lodin Wok Kamaruddin

Dato' (Dr.) Megat Abdul Rahman Megat Ahmad

Dato' Ghazali Mohd Ali   Datuk Azzat Kamaludin   Datuk Francis Tan Leh Kiah

PROFILE OF DIRECTORS

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

Chairman

Independent
Non-Executive Director
82 Years of Age, Malaysian

Tan Sri Ghazali was appointed to the Board on 3 December 1990. He is a member of the Nomination Committee and Remuneration Committee. Tan Sri Ghazali graduated from the Royal Military Academy, Sandhurst, United Kingdom and the Command and Staff College, Quetta, Pakistan. He had served in various capacities in the Malaysian Armed Forces for more than 30 years culminating in his appointment as Chief of the Armed Forces from 1985 to 1987. Tan Sri Ghazali was the Chairman of Lembaga Tabung Angkatan Tentera (LTAT) from 23 February 1988 until 22 February 2007. Tan Sri Ghazali is the Chairman of UAC Berhad and he also sits on the Boards of Boustead Plantations Berhad and Boustead Properties Berhad.

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

Tan Sri Dato' Seri Lodin Wok Kamaruddin

Deputy Chairman/
Group Managing Director

Non-Independent
Executive Director
63 Years of Age, Malaysian

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

Tan Sri Lodin graduated from The University of Toledo, Ohio, USA with a Bachelor of Business Administration and Master of Business Administration. He has extensive experience in managing a provident fund and in the establishment, restructuring and management of various business interests ranging from plantation, trading, financial services, property development, oil and gas, pharmaceuticals and shipbuilding. Tan Sri Lodin is the Chairman of Boustead Heavy Industries Corporation Berhad, Pharmaniaga Berhad and 1Malaysia Development Berhad. He is also the Deputy Chairman of Affin Holdings Berhad, and sits on the Boards of UAC Berhad, Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Investment Bank Berhad, AXA AFFIN Life Insurance Berhad, MHS Aviation Berhad, FIDE Forum and Badan Pengawas Pemegang Saham Minoriti Berhad. Among the many awards Tan Sri Lodin received to-date include the Chevalier De La Légion D'Honneur from the French Government, the Malaysian Outstanding Entrepreneurship Award, the Degree of Doctor of Laws honoris causa from the University of Nottingham, United Kingdom, the UiTM Alumnus of The Year 2010 Award and The BrandLaureate Most Eminent Brand Icon Leadership Award 2012.

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.

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

Dato' Megat is also the senior independent non-executive Director to whom all concerns regarding the Group may be conveyed. He holds a Bachelor of Commerce degree from University of Melbourne, Australia. He is a Life Member of the Malaysian Institute of Certified Public Accountants, a member of the Malaysian Institute of Accountants and a Fellow Member of the Institute of Chartered Accountants in Australia. He holds an honorary doctorate in Business Administration from Universiti Kebangsaan Malaysia. He was a partner of KPMG, Malaysia and managing partner of KPMG Desa, Megat & Co. for over 10 years and an executive director in Kumpulan Guthrie Berhad for 11 years. He sits on the Boards of UAC Berhad and Press Metal Berhad. He also sits on the Boards of Universiti Kebangsaan Malaysia and Pusat Perubatan Universiti Kebangsaan Malaysia.

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

Dato' (Dr.) Megat Abdul Rahman Megat Ahmad

Independent
Non-Executive Director
73 Years of Age, Malaysian

PROFILE OF DIRECTORS

Datuk Azzat Kamaludin

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

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

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

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

Dato' Ghazali Mohd Ali

Non-Independent
Executive Director
64 Years of Age, Malaysian

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

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

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

Datuk Francis Tan Leh Kiah

Independent Non-Executive Director
61 Years of Age, Malaysian

Datuk Francis Tan Leh Kiah was appointed to the Board on 11 October 2012. He is a member of the Audit Committee.

Datuk Francis is an Advocate and Solicitor of the High Court of Malaya and a consultant of Azman Davidson & Co., Advocates & Solicitors. Prior to joining the legal profession, he was the Company Secretary of the Inchcape Group from 1977 to 1985. He has also served as an Assistant Registrar of Companies. He holds a LLB degree from the University of London and is on the rolls of Advocates & Solicitors of Brunei Darussalam and the Supreme Court of England and Wales. Besides being a member of the Malaya Bar, he is a fellow of the Institute of Chartered Secretaries and Administrators U.K. and an associate of the Chartered Tax Institute of Malaysia. He is also a director of UAC Berhad, and is currently serving as a member of the Securities Commission since his first appointment in May 1998.

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.

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

SENIOR MANAGEMENT TEAM

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

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

Mr. Daniel Ebinesan
Group Finance Director

Dato' Ghazali Mohd Ali
Divisional Director, Property

Mr. Chow Kok Choy
Divisional Director, Plantations

Datuk Koo Hock Fee
Divisional Director, Manufacturing

Datuk Mokhtar Khir
Director of Operations, Boustead Hotels and Resorts

Dato' Farshila Emran
Managing Director, Pharmaniaga Berhad

Mr. Tan Kim Thiam
Managing Director, Boustead Petroleum Marketing

AUDIT COMMITTEE REPORT

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

MEMBERS AND MEETINGS

A total of 5 meetings were held during the year. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set out below:

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Director Chairman of the Committee	Yes	5/5
Datuk Azzat Kamaludin	Non-executive Director	No	4/5
Datuk Francis Tan Leh Kiah *(Appointed on 11 October 2012)*	Non-executive Director	Yes	1/1
Lt. Gen. Dato' Mohd Yusof Din (R) *(Retired on 9 April 2012)*	Non-executive Director	Yes	2/2

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

TERMS OF REFERENCE

Membership

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

Authority

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

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

Key Functions and Responsibilities

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

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

AUDIT COMMITTEE REPORT

10. Assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.

11. Recommend the nomination of a person or persons as external auditors.

12. Review any letter of resignation from the external auditors or suggestions for their dismissal.

13. Monitor the Group's compliance to the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and the Malaysian Code of Corporate Governance from assurances by the Company Secretary and the results of review by the external and internal audits.

14. Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the MMLR, the Audit Committee must promptly report such matter to the Bursa Malaysia Securities Berhad.

15. Carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors.

ACTIVITIES DURING THE FINANCIAL YEAR

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

- Reviewed the internal and external auditors' scope of work and annual audit plans for the Group.
- Reviewed the management letters and the audit reports of the external auditors.
- Reviewed the quarterly and annual reports of the Group to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors.
- Reviewed the Risk Management Committee's report on key risk profiles and risk management activities.
- Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control and recommend to the Board for approval prior to their inclusion in the Company's annual report.
- Reviewed the adequacy of resource requirements and competencies of staff within the Group internal audit function to execute the annual audit plan and the results of the work.
- Reviewed the related party transactions entered by the Company and the Group as well as the disclosure of and the procedures relating to related party transactions.
- Reviewed the Circular to Shareholders relating to shareholders' mandate for recurrent related party transactions of a revenue or trading nature prior to recommending it for Board's approval.
- Reviewed and deliberated internal audit reports and to monitor/follow-up on remedial action. Where required, members of the Audit Committee would carry out ground visits to verify significant issues highlighted in the internal audit reports.
- Met with the external auditors twice during the year in the absence of management.

INTERNAL AUDIT FUNCTION

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

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

The Company has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective system of internal control and overall governance practices within the Company and the Group.

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

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

All audit work for the internal audit functions during the year was conducted in-house. There were no areas of the internal audit programs which were outsourced. The total cost incurred for the Group internal audit function in respect of the financial year ended 31 December 2012 amounted to RM3.9 million (2011: RM3.8 million).

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed towards adhering to the requirements and guidelines as per the Malaysian Code on Corporate Governance 2012 (Code) as well as Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad and strives to adopt the substance behind the corporate governance prescriptions and not merely the form.

The Board is of the view that it has complied with the Code, except for the recommendation on the tenure of the independent directors to not exceed a cumulative term of nine years. However, the definition of independent directors under the MMLR has been complied with.

Set out below is the manner in which the Group has applied the principles of good governance and the extent to which it has complied with the Code.

BOARD RESPONSIBILITIES

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

The key responsibilities include the primary responsibilities prescribed under the Code. These cover a review of the strategic direction for the Group, overseeing and evaluating the business operations of the Group, reviewing adequacy of the internal control, identifying principal risks and ensuring that the risks are properly managed, establishing a succession plan and developing and implementing an investor relations program. The responsibility for matters material to the Group is in the hands of the Board, with no individuals having unfettered powers to make decisions.

In this regard, the Board is guided by the documented and approved Board Charter and Limits of Authority which define matters which are specifically reserved for the Board and day-to-day management of the Group delegated to the Deputy Chairman/Group Managing Director. This formal structure of delegation is further cascaded by the Deputy Chairman/Group Managing Director to the senior management team within the Group. However, the Deputy Chairman/Group Managing Director and the senior management team remain accountable to the Board for the authority that is delegated.

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 Company Secretary attends all Board meetings and advises the Board on regulatory procedures, the requirement of the Company's Memorandum and Articles of Association, the Companies Act, 1965 and the MMLR. The Company Secretary also ensures that there is good information flow within the Board and between the Board, Board Committees and senior management. Board members are provided with Board papers in advance before each Board meeting for decision, including the overall Group strategy and direction, acquisitions and divestments, approval of major capital expenditure projects and significant financial matters.

The Board has approved a board charter (Board Charter) which sets out a list of specific functions that are reserved for the Board. The Board Charter addresses, among others, the following matters:-

- Duties and responsibilities of the Board;
- Directors' Code of Ethics;
- composition and Board balance;
- the role of chairman and chief executive officer;
- appointments;
- re-election;
- supply of information;
- separation of power;
- Board Committees;
- remuneration;
- financial reporting;
- general meetings;
- investor relations and shareholder communication; and
- relationship with other stakeholders (employees, environment, social responsibility).

The approval and adoption of the Board Charter and Directors' Code of Ethics formalises the standard of ethical values and behaviour that is expected of the Directors at all times. The Board Charter and Directors' Code of Ethics are reviewed periodically to ensure their relevance and compliance.

The Group is also committed towards sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Group conducts its business. A Report on the activities pertaining to corporate social responsibilities is set out in page 60 to 67 of this annual report.

COMPOSITION OF THE BOARD

The Board currently has six members, comprising two executive Directors and four non-executive Directors. Three of the Directors are independent Directors, which is in excess of the MMLR 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 74 to 77 of this annual report.

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

BOARD MEETINGS

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

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

Board of Directors	4 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
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	Non-executive Chairman	Yes	4/4
Tan Sri Dato' Seri Lodin Wok Kamaruddin	Deputy Chairman/ Group Managing Director	No	4/4
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	Non-executive Director	Yes	4/4
Datuk Azzat Kamaludin	Non-executive Director	No	4/4
Dato' Ghazali Mohd Ali	Executive Director	No	4/4
Datuk Francis Tan Leh Kiah *(Appointed on 11 October 2012)*	Non-executive Director	Yes	1/1
Lt. Gen. Dato' Mohd Yusof Din (R) *(Retired on 9 April 2012)*	Non-executive Director	Yes	1/1

INFORMATION FOR THE BOARD

The Directors are provided with adequate Board reports on a timely manner prior to the Board meeting to enable the Directors to obtain further explanations, where necessary. These reports provide information on the Group's performance and major operational, financial and corporate issues. Minutes of the Board Committees are also tabled at the Board meetings for the Board's information and deliberation. The Directors have access to the advice and services of the Company Secretary whose terms of appointment permit removal and appointment only by the Board as a whole.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment. The Articles further provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

BOARD INDEPENDENCE

Independent non-executive Directors play a leading role in Board Committees. The management and third parties are co-opted to the Committees as and when required.

The Code, which has only been recently issued to be implemented for the financial year ended 31 December 2012, recommends that the tenure of an independent director should not exceed a cumulative term of nine years. Immediate compliance to the recommendation may pose a disadvantage to the Company in terms of losing experienced independent directors who over time have developed increased insight into the Company and the diversified business operations of the Group. Their experience and exposure to the Company over the years has provided an increasing contribution to the effectiveness of the Board as a whole. As of now, the Board does not believe that it should urgently impose a fixed term limit for independent directors. However, the Board will continuously review and evaluate such recommendations.

The concept of independence adopted by the Board is in tandem with the definition of an independent director in the MMLR. The MMLR's definition of independence includes a series of objective tests such as director is not an employee of the Company and is not engaged in any type of business dealings with the Company. Hitherto, none of the independent Directors engage in the day-to-day management of the Company, participate in any business dealings or are involved in any other relationship with the Company (other than in situations permitted by the applicable regulations). During the financial year, none of the independent Directors had any relationship that could materially interfere with his unfettered and independent judgement.

STATEMENT ON CORPORATE GOVERNANCE

BOARD COMMITTEES

The Board appoints the following Board Committees with specific terms of reference:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Board has also approved and adopted a formal charter that outlines the functions, duties and responsibilities of the Board Committees as above in line with the Board's objective in pursuing good governance practice.

Audit Committee

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

The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee. The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report in the annual report.

Nomination Committee

The Board has established a Nomination Committee comprising entirely non-executive Directors a majority of whom are independent and chaired by an independent Director. The composition of the Nomination Committee is as follows:

Dato' (Dr.) Megat Abdul Rahman
Megat Ahmad (Chairman)
Gen. Tan Sri Dato' Mohd Ghazali Hj.
Che Mat (R)
Datuk Azzat Kamaludin
(Appointed on 8 January 2013)
Lt. Gen. Dato' Mohd Yusof Din (R)
(Retired on 9 April 2012)

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

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

- To assess and recommend to the Board candidates for directorship on the Board of the Company as well as membership of the Board Committees.

- To review and assess annually the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and the adequacy of balance between executive Directors, non-executive Directors and independent Directors.

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

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

Remuneration Committee

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

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

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

- To keep abreast of the terms and conditions of service of the GMD, the executive Director and key senior management officers including their total remuneration packages for market comparability; and to review and recommend to the Board changes whenever necessary.

- To keep abreast of the remuneration packages of the non-executive Directors to ensure that they commensurate with the scope of responsibilities held and to review and recommend to the Board changes whenever necessary.

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

BOARD APPOINTMENTS AND COMMITMENTS

As documented in the approved Board Charter, the appointment of a new director is a matter for consideration and decision by the full Board upon appropriate recommendation by the Nomination Committee. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board, performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed. The Company has adopted an induction program for newly appointed Directors. The induction program aims at communicating to the newly appointed directors, the Company's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and the expectations of the Company concerning input from Directors. The Chairman is primarily responsible for the induction program with appropriate assistance from other senior executive Directors.

DIRECTORS' TRAINING

The Company has adopted educational/ training programs to update the Board in relation to new developments pertaining to the laws and regulations and changing commercial risks which may affect the Board and/or the Company.

In addition to the Mandatory Accreditation Program, Board members are also encouraged to attend training programs conducted by highly competent professionals that are relevant to the Company's operations and businesses. All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. The Directors will continue to attend other relevant training programmes to keep abreast with developments on a continuous basis in compliance with the MMLR.

Trainings attended by the Directors during the year are as follows:

Course Title/Organiser	Date
Talk on Basel III, Accounting and Other Regulatory Updates and Future Trend in Banking (PriceWaterhouseCoopers)	2 May 2012
FIDE Forum Launch (ICLIF)	12 June 2012
Boustead Core Values Awareness Programme for Senior Management (Boustead)	15 June 2012
Conference on Politics Decoded – Implications on Financial Markets (Affin Investment Bank)	28 June 2012
National Tax Conference (Chartered Tax Institute of Malaysia)	17 – 18 July 2012
Enhancing Standards of Disclosure: Bursa Expectation and Common Pitfalls (Bursa Malaysia)	19 July 2012
FIDE Forum: Breakfast Talk on Human Capital Management in the Boardroom (ICLIF)	14 August 2012
Forum on Islamic Banking (Affin Holdings Berhad)	5 September 2012
The Globalisation of Retail, Shanghai China (ICSC Retail Real Estate World Summit)	11 – 14 September 2012
International Law Conference (Malaysian Bar)	26 – 28 September 2012
Khazanah Megatrends Forum 2012: The Big Shift Traversing the Complexities of a New World (Khazanah Nasional)	1 – 2 October 2012
A Practical Approach to Forensic Accounting and Digital Forensics (Minority Shareholder Watchdog Group)	3 October 2012
Directors' Forum 2012 (MINDA)	7 – 9 October 2012
Directors' Programme: Rebuilding Trust in the Financial Sector (Affin Holdings Berhad)	8 October 2012
PNB Nominee Directors' Convention (Permodalan Nasional Berhad)	9 October 2012

STATEMENT ON CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal. The level of remuneration for the GMD and executive Director is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. A formal review of the Directors' remuneration is undertaken no less frequently than once every three years.

The details on the aggregate remuneration of Directors for the financial year ended 31 December 2012 are as follows:

	Non-executive Directors RM'000	Executive Directors RM'000	Total RM'000
Directors' fees	752	296	1,048
Meeting allowances	83	37	120
Salaries	–	2,066	2,066
Bonuses	–	1,129	1,129
Employees provident fund contribution	–	483	483
Benefits in kind & allowances	109	910	1,019
Total	944	4,921	5,865

Remuneration paid to Directors during the year analysed into bands of RM50,000, which complies with the disclosure requirements under the MMLR is as follows:

	Non-executive Directors	Executive Directors
Up to RM50,000	1	–
From RM100,001 to RM150,000	1	–
From RM150,001 to RM200,000	1	–
From RM250,001 to RM300,000	1	–
From RM350,001 to RM400,000	1	–
From RM1,450,001 to RM1,500,000	–	1
From RM3,450,001 to RM3,500,000	–	1

ACCOUNTABILITY AND AUDIT

The Company has established an Audit Committee to review the integrity of the financial reporting and to oversee the independence of external auditors.

Transparency and 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 all the applicable accounting policies are applied consistently, and that the policies are supported by reasonable and prudent judgement and estimates. All accounting standards, which the Board considers to be applicable, have been followed. The role of the Audit Committee in the review and reporting of the financial information of the Group is outlined in the Audit Committee Report in the annual report.

Related Party Transactions

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

Internal Control

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

Relationship with External Auditors

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

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Material Business Risks

The Company has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy. As required by the Board, the management has devised and implemented appropriate risk management systems and reports to the Board and senior management. Management is charged with monitoring the effectiveness of risk management systems and is required to report to the Board via the Risk Management Committee. The Board has received, and will continue to receive periodic reports through the Risk Management Committee, summarising the results of risk management issues and initiatives at the Group.

STATEMENT ON CORPORATE GOVERNANCE

Internal Audit Function

The Group has an internal audit function that is independent of the Company's activities and operations. The head of internal audit reports directly to the Audit Committee who reviews and approves the internal audit department's annual audit plan, financial budget and human resource requirements to ensure that the department is adequately resourced with competent and proficient internal auditors.

Further details of the activities of the internal audit function are set out in the Statement of Risk Management and Internal Control in the annual report.

TIMELY DISCLOSURE AND INVESTOR RELATIONSHIP

The Company is fully committed in maintaining a high standard for the dissemination of relevant and material information on the development of the Group. The Company also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders. The Company uses a number of formal channels for effective dissemination of information to the shareholders and stakeholders particularly through the annual report, announcements to Bursa Securities, media releases, quarterly results analyst briefings, Company websites and investor relations.

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

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

The primary contact for investor relation matters is:

En. Fahmy bin Ismail
General Manager, Corporate Planning
Telephone Number: 03-20317749
Email: ir@boustead.com.my

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

EFFECTIVE COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS

The Company is of the view that the Annual General Meeting and other general meetings are important opportunities for meeting investors and addressing their concerns. The Board, senior management and external auditors attend all such meetings. Registered shareholders are invited to attend and participate actively in such meetings, including clarifying and questioning the Company's strategic direction, business operations, performance and proposed resolutions.

Each shareholder can vote in person or by appointing a proxy to attend and vote on his/her behalf. Separate issues are tabled in separate resolutions at general meetings, voting is carried out systematically and resolutions are properly recorded.

This statement is made in accordance with a resolution of the Board of Directors dated 4 March 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

This statement is made in accordance with a resolution of the Board of Directors dated 4 March 2013.

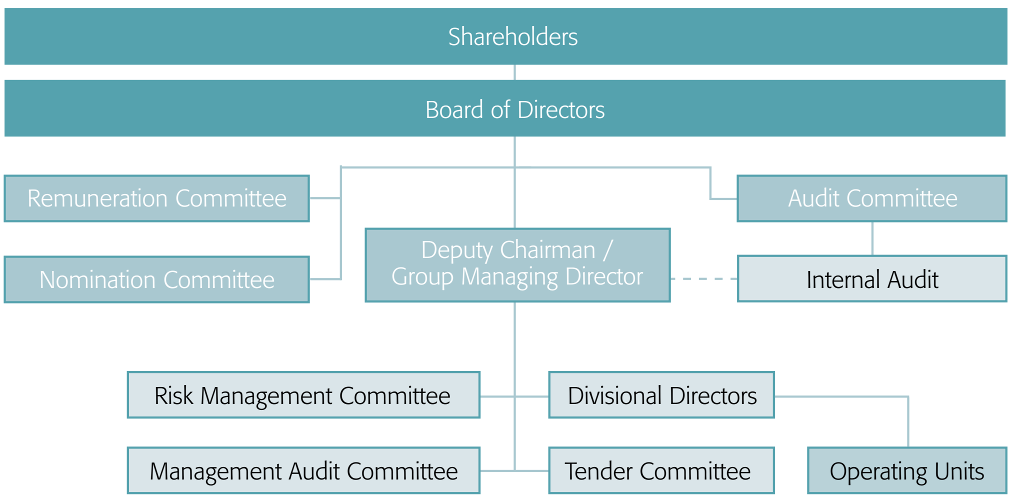
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Except for insurable risks where insurance covers are purchased, other significant risks faced by the Group (excluding associates and joint ventures) 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:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT

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

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

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

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

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

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

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

KEY ELEMENTS OF INTERNAL CONTROL

Internal control is embedded in the Group's operations as follows:

- Clear organisation structure with defined reporting lines.
- Each operating unit is responsible for the conduct and performance of business units, including the identification and evaluation of significant risks applicable to their respective business areas, the design and operation of suitable internal control and in ensuring that an effective system of internal control is in place.
- Defined level of authorities and lines of responsibilities from operating units up to the Board level to ensure accountabilities for risk management and control activities.
- The Group has various support functions comprising secretarial, legal, human capital, finance, treasury and IT which are centralised.
- Risk Management Committee chaired by the Deputy Chairman/Group Managing Director sits regularly to review and recommend the risk management policies, strategies, major risks review and risk mitigation actions for the Company as well as reporting to the Audit Committee and Board on a periodic basis.
- Training and development programmes are established to ensure that staff are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.
- Code of ethics are established and adopted for the Board and all employees to ensure high standards of conduct and ethical values in all business practices.
- The Group also has in place a whistle blowing policy to provide an avenue for employees to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines in a safe and confidential manner. Whistle blowing Committee comprises head of human capital, legal and internal audit, sits periodically to ensure open environment for fraud reporting within the Group and the escalation process.
- Regular Board and Management meetings to assess the Group's performance and controls.
- The internal audit function provides assurance of the effectiveness of the system of internal control within the Group. Regular internal audit visits to review the effectiveness of the control procedures and ensure accurate and timely financial management reporting. Internal audit efforts are directed towards areas with significant risks as identified by Management, and the risk management process is being audited to provide assurance on the management of risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Review of internal audit reports and follow-up on findings by Management Audit Committee. The internal audit reports are deliberated by the Audit Committee, and are subsequently presented to the Board on a quarterly basis or earlier, as appropriate.

- Review and award of major contracts by Tender Committee. A minimum of three quotations is called for and tenders are awarded based on criteria such as quality, track record and speed of delivery.

- Tender Committee comprising members of Senior Management which ensures transparency in the award of contracts.

- Clearly documented standard operating procedure manuals set out the policies and procedures for day to day operations to be carried out. Regular reviews are performed to ensure that documentation remains current and relevant.

- 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.

- Boustead Core Values Initiative was launched by the Deputy Chairman/ Group Managing Director during the year which forms part of the Group's effort to align all business units' initiatives towards a group wide common goal.

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:

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

- Periodic examination of business processes and the state of internal control by the internal audit function. Reports on the reviews carried out by the internal audit function are submitted on a regular basis to the Management Audit Committee and Audit Committee.

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

WEAKNESSES IN INTERNAL CONTROL THAT RESULT IN MATERIAL LOSSES

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

This statement is made in accordance with a resolution of the Board of Directors dated 4 March 2013.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

Boustead Holdings Berhad is an investment holding company and was incorporated in Malaysia in 1960. The Company's other principal activities include the provision of management services to Subsidiaries and property investment. The principal activities of the Subsidiaries and Associates are stated on pages 206 to 212. There have been no significant changes in the nature of these activities during the financial year under review.

RESULTS

	Group RM Million	Company RM Million
Profit for the year attributable to:		
Shareholders of the Company	416.7	312.1
Non-controlling interests	101.0	–
	517.7	312.1

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the fair value gain on investment properties as disclosed in Note 7 to the financial statements.

DIVIDENDS

During the financial year under review, the Company paid the fourth interim single tier dividend of 9 sen per share totalling RM93.1 million in respect of the financial year ended 31 December 2011 as declared in the Directors' report of that year.

The Directors have declared the following single tier dividends in respect of the financial year ended 31 December 2012:

	Net dividend Sen per share	RM Million	Payment date
First interim dividend	7.5	77.6	29 June 2012
Second interim dividend	7.5	77.6	28 September 2012
Third interim dividend	10.0	103.4	28 December 2012
Fourth interim dividend	7.5	77.6	29 March 2013
	32.5	336.2	

ISSUE OF SHARES

During the year, the Company's issued and paid up share capital was increased from RM470.1 million to RM517.1 million by way of a 1 for 10 bonus issue of 94.0 million ordinary shares of RM0.50 each. The new shares issued during the financial year ranked pari passu with the existing ordinary shares of the Company.

DIRECTORS

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

Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)
Tan Sri Dato' Seri Lodin Wok Kamaruddin
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad
Datuk Azzat Kamaludin
Dato' Ghazali Mohd Ali
Datuk Francis Tan Leh Kiah (Appointed on 11 October 2012)
Lt. Gen. Dato' Mohd Yusof Din (R) (Retired on 9 April 2012)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate. Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 5 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 41 to the financial statements.

DIRECTORS' REPORT

REMUNERATION COMMITTEE

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

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

DIRECTORS' INTERESTS

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

	At 1/1/12	Acquired	Sold	At 31/12/12
Ordinary shares of RM0.50 each				
Boustead Holdings Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	26,011,599	2,601,159	420,000	28,192,758
Datuk Azzat Kamaludin	40,000	4,000	–	44,000
Ordinary shares of RM1.00 each				
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	–	–	2,000,000
Datuk Azzat Kamaludin	495,300	–	95,300	400,000
Dato' Ghazali Mohd Ali	75,000	–	–	75,000
Pharmaniaga Berhad				
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	200,000	20,000	120,000	100,000
Tan Sri Dato' Seri Lodin Wok Kamaruddin	3,184,538	2,700,266	202,918	5,681,886
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	-	55,000	–	55,000
Datuk Azzat Kamaludin	3,000	220,300	75,000	148,300
Dato' Ghazali Mohd Ali	50,000	35,000	20,000	65,000
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	–	–	5,916,465

	At 1/1/12	Acquired	Sold	At 31/12/12
Affin Holdings Berhad				
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	91,708	–	–	91,708
Tan Sri Dato' Seri Lodin Wok Kamaruddin	808,714	–	–	808,714
Datuk Azzat Kamaludin	110,000	–	–	110,000
Datuk Francis Tan Leh Kiah	20,000	–	–	20,000
Redeemable preference shares of RM1.00 each				
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	50	–	–	50

OTHER STATUTORY INFORMATION

(a) Before the income statements and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) 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; or

(iv) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D.)

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

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

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

AUDITORS

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

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

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

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN

Kuala Lumpur
4 March 2013

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

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

In the opinion of the Directors, the accompanying financial statements set out on pages 112 to 212 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of the results and the cash flows of the Group and of the Company for the year then ended.

In the opinion of the Directors, the information set out in Note 45 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on format prescribed by Bursa Malaysia Securities Berhad.

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

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

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN

Kuala Lumpur
4 March 2013

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 112 to 212 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 4 March 2013.

Before me

ZAINALABIDIN BIN NAN
Commissioner for Oaths
Kuala Lumpur

DANIEL EBINESAN

INDEPENDENT AUDITORS' REPORT
To the Members of Boustead Holdings Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Boustead Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 112 to 204 and pages 206 to 212.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the Subsidiaries which we have not acted as auditors, which are indicated on pages 206 to 211, being financial statements that have been included in the consolidated financial statements.

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

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

OTHER MATTERS

The supplementary information set out in Note 45 on page 205 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

AHMAD ZAHIRUDIN BIN ABDUL RAHIM
No. 2607/12/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
4 March 2013

INCOME STATEMENTS

For the year ended 31 December 2012

		Group		Company	
	Note	**2012 RM Million**	2011 RM Million	**2012 RM Million**	2011 RM Million
Revenue	4	**10,211.1**	8,555.8	**469.3**	431.1
Operating cost	5	**(9,657.9)**	(7,946.5)	**(26.1)**	(64.2)
Results from operations		**553.2**	609.3	**443.2**	366.9
Gain on disposal of plantation assets		**–**	94.6	**–**	32.4
Interest income	6	**16.6**	8.3	**36.7**	5.9
Other investment results	7	**117.6**	188.1	**12.6**	(12.3)
Finance cost	8	**(217.1)**	(201.0)	**(126.2)**	(102.6)
Share of results of Associates		**148.9**	131.7	**–**	–
Profit before taxation		**619.2**	831.0	**366.3**	290.3
Income tax expense	9	**(101.5)**	(99.1)	**(54.2)**	(23.2)
Profit for the year		**517.7**	731.9	**312.1**	267.1
Attributable to:					
Shareholders of the Company		**416.7**	610.6	**312.1**	267.1
Non-controlling interests		**101.0**	121.3	**–**	–
Profit for the year		**517.7**	731.9	**312.1**	267.1
Earnings per share – sen	10	**40.29**	59.04		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Profit for the year	**517.7**	731.9	**312.1**	267.1
Other comprehensive income/(loss):				
Net gain on available for sale investments				
– Fair value changes	**99.0**	32.7	**(0.2)**	0.2
– Transfer to profit or loss upon disposal	**(0.8)**	(0.8)	**–**	–
Foreign currency translation	**(7.6)**	1.4	**–**	–
Total comprehensive income for the year	**608.3**	765.2	**311.9**	267.3
Attributable to:				
Shareholders of the Company	**510.2**	644.6	**311.9**	267.3
Non-controlling interests	**98.1**	120.6	**–**	–
Total comprehensive income for the year	**608.3**	765.2	**311.9**	267.3

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

	Note	Group 2012 RM Million	Group 2011 RM Million	Company 2012 RM Million	Company 2011 RM Million
ASSETS					
Non-current assets					
Property, plant and equipment	12	**3,745.2**	3,445.0	**5.8**	5.3
Biological assets	13	**664.5**	347.6	**–**	–
Investment properties	14	**1,273.4**	1,212.9	**77.6**	65.0
Development properties	15	**247.7**	227.1	**–**	–
Prepaid land lease payments	16	**68.8**	39.6	**–**	–
Long term prepayments	17	**157.3**	143.3	**–**	–
Deferred tax assets	18	**54.5**	60.2	**–**	–
Subsidiaries	19	**–**	–	**2,956.8**	2,919.6
Associates	20	**1,386.5**	1,274.7	**686.9**	686.9
Investments	21	**693.5**	592.8	**5.4**	5.6
Intangible assets	22	**1,307.4**	1,257.4	**–**	–
Total non-current assets		**9,598.8**	8,600.6	**3,732.5**	3,682.4
Current assets					
Inventories	23	**780.0**	680.3	**–**	–
Property development in progress	24	**42.9**	12.2	**–**	–
Due from customers on contracts	25	**900.8**	731.3	**–**	–
Receivables	26	**1,809.8**	1,507.1	**577.8**	653.0
Deposits, cash and bank balances	27	**749.2**	1,140.7	**5.1**	3.8
Assets of disposal group classified as held for sale	28	**5.8**	50.7	**–**	–
Total current assets		**4,288.5**	4,122.3	**582.9**	656.8
Total assets		**13,887.3**	12,722.9	**4,315.4**	4,339.2

	Note	Group 2012 RM Million	Group 2011 RM Million	Company 2012 RM Million	Company 2011 RM Million
EQUITY AND LIABILITIES					
Equity attributable to shareholders of the Company					
Share capital	29	**517.1**	470.1	**517.1**	470.1
Non-distributable reserves	30	**1,897.1**	1,770.8	**1,166.6**	1,213.8
Retained earnings	31	**2,241.8**	2,210.5	**289.1**	327.0
Shareholders' equity		**4,656.0**	4,451.4	**1,972.8**	2,010.9
Non-controlling interests		**725.6**	751.9	**–**	–
Total equity		**5,381.6**	5,203.3	**1,972.8**	2,010.9
Non-current liabilities					
Borrowings	32	**2,682.2**	1,159.3	**777.5**	731.6
Payables	33	**29.4**	27.5	**–**	–
Deferred tax liabilities	18	**56.6**	95.2	**–**	–
Total non-current liabilities		**2,768.2**	1,282.0	**777.5**	731.6
Current liabilities					
Borrowings	32	**3,927.4**	3,936.2	**1,169.5**	1,088.7
Payables	33	**1,737.4**	2,177.5	**395.6**	508.0
Due to customers on contracts	25	**46.6**	59.7	**–**	–
Taxation		**26.1**	59.4	**–**	–
Liabilities directly associated with disposal group classified as held for sale	28	**–**	4.8	**–**	–
Total current liabilities		**5,737.5**	6,237.6	**1,565.1**	1,596.7
Total liabilities		**8,505.7**	7,519.6	**2,342.6**	2,328.3
Total equity and liabilities		**13,887.3**	12,722.9	**4,315.4**	4,339.2

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital RM Million	Non-distributable reserves RM Million	Retained earnings RM Million	Total attributable to shareholders of the Company RM Million	Non-controlling interests RM Million	Total equity RM Million
Group						
At 1 January 2011	470.1	1,708.4	2,049.4	4,227.9	470.8	4,698.7
Total comprehensive income for the year	–	34.0	610.6	644.6	120.6	765.2
Transactions with owners						
Changes in ownership interests in Subsidiaries						
– Acquisition of Subsidiaries (Note 19)	–	–	–	–	44.9	44.9
– Additional investment in Subsidiaries	–	–	(11.8)	(11.8)	(41.6)	(53.4)
– Partial disposal of a Subsidiary	–	(0.2)	(14.3)	(14.5)	189.4	174.9
Issue of shares by Subsidiaries	–	–	–	–	10.4	10.4
Transfer during the year (Note 30)	–	28.6	(28.6)	–	–	–
Dividends (Note 11)	–	–	(394.8)	(394.8)	(42.6)	(437.4)
At 31 December 2011 and 1 January 2012	**470.1**	**1,770.8**	**2,210.5**	**4,451.4**	**751.9**	**5,203.3**
Total comprehensive income for the year	**–**	**93.5**	**416.7**	**510.2**	**98.1**	**608.3**
Transactions with owners						
Changes in ownership interests in Subsidiaries						
– Acquisition of Subsidiaries (Note 19)	**–**	**–**	**–**	**–**	**3.7**	**3.7**
– Additional investment in Subsidiaries	**–**	**–**	**(5.9)**	**(5.9)**	**(97.6)**	**(103.5)**
– Partial disposal of a Subsidiary	**–**	**0.2**	**6.4**	**6.6**	**72.9**	**79.5**
– Disposal of Subsidiaries (Note 19)	**–**	**45.4**	**-**	**45.4**	**(2.7)**	**42.7**
Transfer during the year (Note 30)	**–**	**34.2**	**(34.2)**	**–**	**–**	**–**
Bonus issue during the year	**47.0**	**(47.0)**	**–**	**–**	**–**	**–**
Dividends (Note 11)	**–**	**–**	**(351.7)**	**(351.7)**	**(100.7)**	**(452.4)**
At 31 December 2012	**517.1**	**1,897.1**	**2,241.8**	**4,656.0**	**725.6**	**5,381.6**

	Share capital RM Million	←Non-distributable→ Share premium RM Million	Fair value reserve RM Million	Retained earnings RM Million	Total equity RM Million
Company					
At 1 January 2011	470.1	1,212.1	1.5	459.5	2,143.2
Total comprehensive income for the year	–	–	0.2	267.1	267.3
Transactions with owners					
Partial disposal of a Subsidiary	–	–	–	(4.8)	(4.8)
Dividends (Note 11)	–	–	–	(394.8)	(394.8)
At 31 December 2011 and 1 January 2012	**470.1**	**1,212.1**	**1.7**	**327.0**	**2,010.9**
Total comprehensive income for the year	**–**	**–**	**(0.2)**	**312.1**	**311.9**
Transactions with owners					
Bonus issue during the year	**47.0**	**(47.0)**	**–**	**–**	**–**
Partial disposal of a Subsidiary	**–**	**–**	**–**	**1.7**	**1.7**
Dividends (Note 11)	**–**	**–**	**–**	**(351.7)**	**(351.7)**
At 31 December 2012	**517.1**	**1,165.1**	**1.5**	**289.1**	**1,972.8**

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2012

	Group 2012 RM Million	Group 2011 RM Million	Company 2012 RM Million	Company 2011 RM Million
Operating activities				
Cash receipts from customers	**9,197.6**	8,993.3	**6.8**	45.0
Cash paid to suppliers and employees	**(9,449.4)**	(7,961.5)	**(25.1)**	(63.6)
Cash (used in)/generated from operations	**(251.8)**	1,031.8	**(18.3)**	(18.6)
Income taxes (paid)/refunded	**(170.3)**	(128.8)	**5.8**	14.2
Net cash (used in)/from operating activities	**(422.1)**	903.0	**(12.5)**	(4.4)
Investing activities				
Acquisition of Subsidiaries (Note 19)	**(61.8)**	(645.1)	**–**	(701.7)
Additional investment in Subsidiaries and Associates	**(123.3)**	(13.1)	**(103.3)**	(20.0)
Settlement of the balance consideration on additional investment in a Subsidiary	**(48.9)**	–	**–**	–
Disposal of Subsidiaries (Note 19)	**114.5**	–	**–**	–
Partial disposal of a Subsidiary	**79.5**	82.7	**67.8**	82.7
Disposal of Associates	**–**	4.9	**–**	–
Investments purchased	**(14.3)**	(92.5)	**–**	–
Proceeds from disposal of plantation assets	**–**	189.2	**–**	88.8
Proceeds from disposal of investment property	**42.1**	–	**–**	–
Proceeds from disposal of investments	**13.2**	61.8	**–**	–
Biological assets and property, plant and equipment				
– Purchases	**(875.0)**	(972.9)	**(1.4)**	(1.1)
– Disposals	**104.1**	12.6	**0.1**	–
Purchase and development of investment property	**(18.4)**	(28.1)	**–**	–
Purchase of intangible assets	**(56.7)**	–	**–**	–
Dividends received	**102.2**	89.1	**495.5**	255.9
Interest received	**16.6**	8.5	**36.7**	5.9
Net cash (used in)/from investing activities	**(726.2)**	(1,302.9)	**495.4**	(289.5)

	Group		Company	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
Financing activities				
Issue of shares by Subsidiaries	**–**	10.4	**–**	–
Dividends paid				
– By the Company	**(351.7)**	(302.6)	**(351.7)**	(302.6)
– By Subsidiaries	**(100.7)**	(42.6)	**–**	–
Proceeds from long term loans	**2,206.2**	724.3	**164.6**	334.6
Repayment of long term loans	**(323.1)**	(394.1)	**(40.0)**	(10.0)
(Decrease)/increase of revolving credits and bankers' acceptances	**(374.8)**	1,301.1	**6.0**	464.0
Receipts from Group companies	**–**	–	**943.6**	891.4
Payments to Group companies	**–**	–	**(1,077.2)**	(1,002.4)
Interest paid	**(299.0)**	(205.1)	**(123.0)**	(102.1)
Withdrawal/(placement) of pledged deposits	**500.0**	(500.0)	**–**	–
Net cash from/(used in) financing activities	**1,256.9**	591.4	**(477.7)**	272.9
Net increase/(decrease) in cash and cash equivalents	**108.6**	191.5	**5.2**	(21.0)
Foreign currency translation difference	**0.5**	0.1	**–**	–
Cash and cash equivalents at beginning of year	**589.9**	398.3	**(15.9)**	5.1
Cash and cash equivalents at end of year	**699.0**	589.9	**(10.7)**	(15.9)
Cash and cash equivalents at end of year				
Deposits, cash and bank balances (Note 27)	**749.2**	1,140.7	**5.1**	3.8
Overdrafts (Note 32)	**(50.2)**	(51.6)	**(15.8)**	(19.7)
Deposits, cash and bank balances classified as held for sale (Note 28)	**–**	0.8	**–**	–
	699.0	1,089.9	**(10.7)**	(15.9)
Deposits pledged	**–**	(500.0)	**–**	–
	699.0	589.9	**(10.7)**	(15.9)

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

ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

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

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

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

(B) BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES

(C) ASSOCIATES

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

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

The consolidated income statement reflects the share of the Associates' results after tax. Where there has been a change recognised directly in the equity of Associates, the Group recognises its share of such change. Unrealised gains or losses on transactions between the Group and its Associates are eliminated to the extent of the Group's interest in the Associates. When the Group's share of losses exceeds its interest in an Associate, the Group does not recognise further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the Associate.

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

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

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

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

(D) INTANGIBLE ASSETS

(i) Goodwill

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

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount including goodwill, an impairment loss is recognised in the profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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

(ii) Other intangible assets

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

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

(D) INTANGIBLE ASSETS (CONT'D.)

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

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

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

(a) Concession right

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

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

(b) Research and development

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

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

(D) INTANGIBLE ASSETS (CONT'D.)

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

(c) Rights to supply

Expenses incurred to acquire the rights to supply pharmaceutical products are capitalised and carried at cost less accumulated amortisation and accumulated impairment losses. The Rights are amortised over the concession period of 10 years.

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

(E) CURRENCY CONVERSION

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company. All transactions are recorded in Ringgit Malaysia. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

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

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

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

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

ACCOUNTING POLICIES

(E) CURRENCY CONVERSION (CONT'D.)

(ii) Consolidated financial statements

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

(F) PROPERTY, PLANT AND EQUIPMENT

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

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

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

Freehold land and capital work in progress are not amortised. Leasehold land classified as finance lease is amortised in equal instalment over the period of the leases ranging from 24 to 99 years. Other assets are depreciated on a straight line basis to write off the cost or valuation of the assets to their residual values, over the term of their estimated useful lives as follows:

Buildings	20 – 80 years
Plant and machinery	5 – 20 years
Aircraft	6 – 15 years
Furniture and equipment	2 – 10 years
Motor vehicles	4 – 10 years

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(G) BIOLOGICAL ASSETS

The expenditure on new planting and replanting of a different produce crop incurred up to the time of maturity is capitalised while the initial costs of planting on the area replanted are charged to profit or loss.

Depreciation charges and external borrowing costs related to the development of new plantations are included as part of the capitalisation of immature planting costs. Replanting expenditure incurred in respect of the same crop is charged to profit or loss in the year in which it is incurred. Plantation development expenditure is not amortised.

(H) INVESTMENT PROPERTIES

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

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

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

Subsequent to initial recognition, investment properties are measured at fair value, which is determined by the Directors by reference to market evidence of transaction prices for similar properties, and valuation performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

(H) INVESTMENT PROPERTIES (CONT'D.)

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

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

(I) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS

(i) Development properties

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

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

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

(ii) Property development in progress

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

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

Where the financial outcome cannot be reliably estimated, revenue is recognised to the extent that costs are recoverable and costs on properties sold are expensed in the period incurred.

(I) DEVELOPMENT PROPERTIES AND PROPERTY DEVELOPMENT IN PROGRESS (CONT'D.)

(ii) Property development in progress (cont'd.)

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

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

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

(J) LONG TERM PREPAYMENTS

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

(K) CONSTRUCTION CONTRACTS

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

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

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

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

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

ACCOUNTING POLICIES

(L) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from the sale of goods and services is recognised when the goods and services are delivered. Revenue from property development and construction contracts is recognised on the percentage of completion method. Rental income from the letting of properties is recognised on a straight line basis over the lease terms, while finance charges from hire purchase activities are recognised over the period of the hire purchase contracts using the effective interest method. Revenue from rental of hotel rooms, sale of food and beverage and other related income are recognised on an accrual basis. Tuition fees are recognised over the period of instruction whereas non-refundable registration and enrolment fees are recognised when chargeable.

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

(M) INCOME TAXES

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

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

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

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

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

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

(M) INCOME TAXES (CONT'D.)

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with the investments in Subsidiaries and Associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

(N) EMPLOYEE BENEFITS

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

As required by law, the Group and the Company make contributions to the Employees Provident Fund in Malaysia. Some of the Group's foreign Subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed. Termination benefits are paid in cases of termination of employment and are recognised as a liability and an expense when there is a detailed formal plan for the termination and is without realistic possibility of withdrawal.

(O) INVENTORIES

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

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

(P) FINANCIAL ASSETS

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

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

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

(P) FINANCIAL ASSETS (CONT'D.)

(i) Loans and receivables

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

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

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

(ii) Available for sale financial assets

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

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

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

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

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

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

(P) FINANCIAL ASSETS (CONT'D.)

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

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

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

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

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

(Q) IMPAIRMENT OF FINANCIAL ASSETS

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

(i) Financial assets carried at amortised cost

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

(Q) IMPAIRMENT OF FINANCIAL ASSETS (CONT'D.)

(i) Financial assets carried at amortised cost (cont'd.)

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

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

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

(ii) Available for sale financial assets

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

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

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

ACCOUNTING POLICIES

(R) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

(S) CASH AND CASH EQUIVALENTS

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

(T) FINANCIAL LIABILITIES

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

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

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

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

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

(ii) Other financial liabilities

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

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

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

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

(U) LEASES

(i) Finance lease

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

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

(ii) Operating lease

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

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

(V) NON-CURRENT ASSETS HELD FOR SALE

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

(W) SEGMENT REPORTING

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

(X) SHARE CAPITAL AND SHARE ISSUANCE EXPENSES

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

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

(Y) BORROWING COSTS

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

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

(Z) CONTINGENCIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 July 2011 and 1 January 2012.

FRS 124 Related party disclosures
Amendments to FRS 7 Disclosures – transfer of financial assets
Amendment to FRS 112 Deferred tax – recovery of underlying assets
Amendment to IC Interpretation 19 – Extinguishing financial liabilities with equity instruments

Adoption of the above amendments did not have a material impact for the Group and the Company other than the additional disclosures of balances and transactions with Government-related entities in notes to the financial statements in accordance with amendments in FRS 124.

2. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Effective for financial period beginning on or after 1 July 2012
Amendments to FRS 101 Presentation of other Items of other comprehensive income

Effective for financial period beginning on or after 1 January 2013
FRS 10 Consolidated financial statements
FRS 11 Joint arrangements
FRS 12 Disclosures on interests in other entities
FRS 13 Fair value measurements
FRS 119 Employee benefits
FRS 127 Separate financial statements
FRS 128 Investments in associates and joint ventures
Improvements to FRS 2012

Effective for financial period beginning on or after 1 January 2014
Amendments to FRS 7 Financial instruments disclosures – offsetting financial assets and financial liabilities
Amendments to FRS 132 Financial instruments presentation – offsetting financial assets and financial liabilities

Effective for financial period beginning on or after 1 January 2015
FRS 9 Financial instruments

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

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

FRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. FRS 9 requires all financial assets to be measured at either amortised cost or full fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value is the most relevant measurement basis. The adoption of the first phase of FRS 9 is not expected to have an impact on the Group, except on the classification and measurement of the Group's financial assets.

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

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

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

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

MFRS Framework

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS Framework is effective for annual periods beginning on or after 1 January 2012 for all entities except for entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

The Group which falls under the scope definition of Transitioning Entities has opted to adopt MFRS for annual periods beginning on 1 January 2014. When the Group presents its first MFRS financial statements in 1 January 2014, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment of intangible assets at each reporting date. Intangible assets are tested for impairment annually and at any other time when such indicators exist. Intangible assets are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges. Further details of the key assumptions applied in the impairment assessment of intangible assets are given in Note 22.

(b) Useful lives of property, plant and equipment

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

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

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

The Group reviews the carrying amounts of the biological assets and property, plant and equipment as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of biological assets and property, plant and equipment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

(d) Impairment of loans and receivables

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

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

(e) Property development

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

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

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

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

(f) Construction contracts

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

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

(g) Deferred tax assets

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

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

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

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

4. REVENUE

	Group		Company	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
Sale of produce	**845.4**	993.0	**–**	37.8
Sale of goods				
– Petroleum products	**4,683.4**	4,103.5	**–**	–
– Pharmaceutical products	**1,812.3**	1,257.7	**–**	–
– Building materials	**455.5**	468.8	**–**	–
– Others	**14.5**	16.2	**–**	–
Ship repair	**409.0**	660.5	**–**	–
Shipbuilding	**840.4**	160.5	**–**	–
Sale of development properties	**258.2**	237.8	**–**	–
Revenue from agency business	**38.3**	48.1	**–**	–
Rental income	**112.5**	106.7	**7.3**	7.1
Hotel operations	**131.1**	109.5	**–**	–
Tuition fees	**113.4**	95.6	**–**	–
Air transportation and flight services	**391.4**	184.7	**–**	–
Gross dividends from quoted shares in Malaysia				
– Subsidiaries	**–**	–	**43.8**	26.6
– Associates	**–**	–	**46.4**	37.1
– Others	**–**	–	**0.1**	0.1
Gross dividends from unquoted shares in Malaysia				
– Subsidiaries	**–**	–	**351.7**	312.1
– Associates	**–**	–	**14.0**	3.7
– Others	**–**	–	**0.2**	0.2
Others	**105.7**	113.2	**5.8**	6.4
	10,211.1	8,555.8	**469.3**	431.1

5. OPERATING COST

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Changes in inventories of finished goods and work in progress	**61.3**	(8.0)	**–**	–
Finished goods and work in progress purchases	**6,098.4**	5,189.2	**–**	–
Raw material and consumables used	**1,708.4**	1,295.6	**–**	33.7
Staff costs	**574.5**	447.6	**11.1**	10.8
Defined contribution plans	**72.8**	58.6	**1.7**	1.6
Depreciation and amortisation				
– Property, plant and equipment (Note 12)	**225.3**	167.9	**0.8**	0.9
– Biological assets (Note 13)	**–**	1.3	**–**	–
– Prepaid land lease payments (Note 16)	**0.6**	0.9	**–**	–
– Long term prepayments (Note 17)	**9.4**	6.9	**–**	–
– Intangible assets (Note 22)	**33.3**	6.9	**–**	–
Statutory audit fees – auditor of the Company	**2.6**	2.6	**0.3**	0.3
– others	**0.7**	0.5	**–**	–
Directors' fees – current year	**1.0**	1.0	**0.4**	0.4
Directors' remuneration – emoluments	**3.8**	3.8	**0.2**	0.2
– benefits	**1.0**	0.6	**–**	–
Gain on disposal of property, plant and equipment	**(67.6)**	(4.3)	**–**	–
Gain on disposal of investment property	**(25.5)**	–	**–**	–
Impairment loss				
– Property, plant and equipment (Note 12)	**21.3**	9.2	**–**	–
– Biological assets (Note 13)	**–**	5.4	**–**	–
Reversal of impairment loss				
– Biological assets (Note 13)	**(3.7)**	–	**–**	–
Trade receivables (Note 26)				
– Impairment loss	**13.6**	6.7	**–**	–
– Reversal of impairment loss	**(7.3)**	(5.2)	**–**	–
Other operating cost	**934.0**	759.3	**11.6**	16.3
	9,657.9	7,946.5	**26.1**	64.2

5. OPERATING COST (CONT'D.)

	Group 2012 RM Million	Group 2011 RM Million	Company 2012 RM Million	Company 2011 RM Million
Other operating cost includes:				
Rent paid – plantation assets	**130.6**	151.5	**–**	–
– others	**35.3**	31.3	**1.7**	1.6
Investment properties – direct operating expenses	**40.5**	37.5	**2.9**	3.0
Aircraft and flight operating				
– Leasing of aircraft and parts	**76.6**	38.1	**–**	–
– Maintenance and upkeep	**92.4**	64.9	**–**	–
Hire of equipment	**5.7**	3.4	**–**	–
Research and development	**10.2**	16.7	**–**	–
Net fair value gain on derivatives	**11.7**	(23.2)	**–**	–
Net foreign exchange (gain)/loss – realised	**(13.2)**	16.3	**–**	–
– unrealised	**0.9**	(1.8)	**–**	–
Inventories – writedown	**4.4**	10.9	**–**	–
– writeback	**–**	(3.0)	**–**	–
Advertising and promotion	**55.9**	37.3	**–**	–

6. INTEREST INCOME

	Group 2012 RM Million	Group 2011 RM Million	Company 2012 RM Million	Company 2011 RM Million
Interest income – Subsidiaries	**–**	–	**36.5**	5.4
– Associates	**6.4**	2.5	**–**	0.1
– others	**10.2**	5.8	**0.2**	0.4
	16.6	8.3	**36.7**	5.9

7. OTHER INVESTMENT RESULTS

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Gross dividends				
– Quoted shares in Malaysia	**44.9**	35.8	**–**	–
– Unquoted shares in Malaysia	**0.2**	0.2	**–**	–
Profit/(loss) on disposal of				
– Subsidiaries (Note 19)	**9.4**	–	**–**	(5.7)
– Associate	**–**	(0.2)	**–**	–
– Other investments	**1.6**	2.4	**–**	–
Net fair value gain/(loss) on investment properties (Note 14)	**61.5**	109.5	**12.6**	(4.5)
Impairment loss on loan to Subsidiaries	**–**	–	**–**	(2.1)
Negative goodwill recognised on acquisition of a Subsidiary (Note 19)	**–**	40.4	**–**	–
	117.6	188.1	**12.6**	(12.3)

8. FINANCE COST

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Interest expense on				
– Loans from Subsidiaries	**–**	–	**27.4**	21.4
– Bank borrowings	**206.4**	188.1	**51.2**	48.7
– Bank guaranteed medium term notes	**53.9**	32.5	**47.6**	32.5
– Asset-backed bonds	**20.1**	–	**–**	–
	280.4	220.6	**126.2**	102.6
Capitalised in qualifying assets	**(63.3)**	(19.6)	**–**	–
	217.1	201.0	**126.2**	102.6

9. INCOME TAX EXPENSE

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Tax expense for the year				
– Malaysian income tax	**123.2**	124.6	**54.7**	25.5
– Foreign income tax	**1.3**	0.7	**–**	–
– Deferred tax relating to origination and reversal of temporary differences (Note 18)	**(5.2)**	(13.3)	**(0.3)**	(1.7)
	119.3	112.0	**54.4**	23.8
Under/(over) provision in prior year				
– Malaysian income tax	**8.9**	(10.6)	**(0.5)**	(0.7)
– Deferred tax (Note 18)	**(26.7)**	(2.3)	**0.3**	0.1
	101.5	99.1	**54.2**	23.2

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2011: 25%) of the estimated assessable profit for the year.

9. INCOME TAX EXPENSE (CONT'D.)

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

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Profit before taxation	**619.2**	831.0	**366.3**	290.3
Taxation at Malaysian statutory rate of 25% (2011: 25%)	**154.8**	207.8	**91.6**	72.6
Income not subject to tax	**(62.7)**	(73.3)	**(51.9)**	(62.5)
Share of results in Associates	**(37.2)**	(32.9)	**–**	–
Non-deductible expenses	**62.2**	43.3	**14.8**	13.5
Tax incentives	**(2.9)**	(3.3)	**–**	–
Deferred tax assets not recognised	**41.7**	24.4	**0.1**	0.3
Benefit from previously unrecognised tax losses and unabsorbed capital allowances	**(36.7)**	(53.9)	**(0.2)**	–
Others	**0.1**	(0.1)	**–**	(0.1)
	119.3	112.0	**54.4**	23.8
Overprovision in prior year	**(17.8)**	(12.9)	**(0.2)**	(0.6)
Income tax expense recognised in profit or loss	**101.5**	99.1	**54.2**	23.2

10. EARNINGS PER SHARE

Basic and diluted earnings per share of the Group is calculated by dividing the consolidated profit for the year attributable to shareholders of the Company of RM416.7 million (2011: RM610.6 million) by the weighted average number of ordinary shares in issue during the year of 1,034.2 million (2011: 1,034.2 million).

The weighted average number of ordinary shares in issue for the previous year was arrived at after reflecting the retrospective adjustments as required by FRS133 Earnings per Share arising from the Company's bonus issue of 94,015,554 ordinary shares which was completed on 10 January 2012 (Note 29).

11. DIVIDENDS

	Dividend amount		Dividend per share	
	2012	2011	**2012**	2011
	RM Million	RM Million	**Sen**	Sen
Dividends on ordinary shares in respect of financial year ended 31 December				
– First interim	**77.6**	75.2	**7.5**	8.0
– Second interim	**77.6**	94.0	**7.5**	10.0
– Third interim	**103.4**	112.8	**10.0**	12.0
	258.6	282.0	**25.0**	30.0
Fourth interim dividend paid in respect of the previous financial year	**93.1**	112.8	**9.0**	12.0
	351.7	394.8	**34.0**	42.0

Subsequent to the end of the current financial year, the Directors have declared a fourth interim dividend of 7.5 sen per share amounting to RM77.6 million in respect of the financial year ended 31 December 2012. The dividend which will be paid on 29 March 2013 will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM Million	Aircraft RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
Group – 2012					
Cost or valuation					
At 1 January	**1,581.3**	**737.5**	**687.3**	**1,119.4**	**4,125.5**
Additions	**339.4**	**–**	**34.0**	**215.7**	**589.1**
Acquisition of Subsidiaries (Note 19)	**10.8**	**–**	**7.8**	**0.4**	**19.0**
Disposals	**(23.7)**	**(26.2)**	**(32.2)**	**(18.9)**	**(101.0)**
Disposal of Subsidiaries (Note 19)	**(8.5)**	**–**	**(3.5)**	**(3.6)**	**(15.6)**
Written off	**(31.7)**	**–**	**–**	**–**	**(31.7)**
Transfer from/(to)					
– Prepaid land lease payments (Note 16)	**4.9**	**–**	**–**	**–**	**4.9**
– Long term prepayments (Note 17)	**–**	**–**	**–**	**(2.8)**	**(2.8)**
Reclassification	**167.8**	**–**	**44.0**	**(211.8)**	**–**
Exchange adjustment	**0.1**	**–**	**–**	**0.7**	**0.8**
At 31 December	**2,040.4**	**711.3**	**737.4**	**1,099.1**	**4,588.2**
Depreciation and impairment loss					
At 1 January	**168.1**	**14.9**	**266.0**	**231.5**	**680.5**
Charge for the year					
– Recognised in profit or loss (Note 5)	**40.8**	**51.9**	**61.6**	**71.0**	**225.3**
– Capitalised in contract cost (Note 25)	**1.5**	**–**	**2.0**	**4.7**	**8.2**
Impairment loss (Note 5)	**–**	**–**	**–**	**21.3**	**21.3**
Disposals	**(10.5)**	**(0.3)**	**(30.8)**	**(16.1)**	**(57.7)**
Disposal of Subsidiaries (Note 19)	**(1.4)**	**–**	**(1.2)**	**(2.1)**	**(4.7)**
Written off	**(31.7)**	**–**	**–**	**–**	**(31.7)**
Transfer from prepaid land lease payments (Note 16)	**0.7**	**–**	**–**	**–**	**0.7**
Reclassification	**–**	**–**	**8.5**	**(8.5)**	**-**
Exchange adjustment	**0.2**	**–**	**–**	**0.9**	**1.1**
At 31 December	**167.7**	**66.5**	**306.1**	**302.7**	**843.0**
Net book value					
At 31 December 2012	**1,872.7**	**644.8**	**431.3**	**796.4**	**3,745.2**
Accumulated impairment loss					
At 31 December 2012	**0.3**	**–**	**5.5**	**27.7**	**33.5**

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

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

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

	Land and buildings RM Million	Plant and machinery RM Million	Others RM Million	Total RM Million
Company – 2012				
Cost				
At 1 January 2012	**4.4**	**–**	**8.2**	**12.6**
Additions	**–**	**–**	**1.4**	**1.4**
Disposals	**–**	**–**	**(0.7)**	**(0.7)**
At 31 December 2012	**4.4**	**–**	**8.9**	**13.3**
Depreciation				
At 1 January 2012	**1.6**	**–**	**5.7**	**7.3**
Charge for the year (Note 5)	**0.1**	**–**	**0.7**	**0.8**
Disposals	**–**	**–**	**(0.6)**	**(0.6)**
At 31 December 2012	**1.7**	**–**	**5.8**	**7.5**
Net book value				
At 31 December 2012	**2.7**	**–**	**3.1**	**5.8**
Company – 2011				
Cost				
At 1 January 2011	4.4	4.1	10.4	18.9
Additions	–	–	1.1	1.1
Disposals	–	(4.1)	(0.6)	(4.7)
Transfer to Group companies	–	–	(2.7)	(2.7)
At 31 December 2011	4.4	–	8.2	12.6
Depreciation				
At 1 January 2011	1.5	1.4	6.9	9.8
Charge for the year (Note 5)	0.1	0.2	0.6	0.9
Disposals	–	(1.6)	(0.2)	(1.8)
Transfer to Group companies	–	–	(1.6)	(1.6)
At 31 December 2011	1.6	–	5.7	7.3
Net book value				
At 31 December 2011	2.8	–	2.5	5.3

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

	Group 2012 RM Million	Group 2011 RM Million	Company 2012 RM Million	Company 2011 RM Million
Analysis of net book value of land and buildings:				
Freehold property				
– Land	**403.0**	350.6	**–**	–
– Building	**829.1**	614.8	**–**	–
	1,232.1	965.4	**–**	–
Leasehold property				
Long leasehold				
– Land	**254.5**	97.5	**1.8**	1.6
– Building	**225.7**	222.9	**0.9**	1.2
Short leasehold				
– Land	**9.9**	10.4	**–**	–
– Building	**150.5**	117.0	**–**	–
	640.6	447.8	**2.7**	2.8
	1,872.7	1,413.2	**2.7**	2.8
Analysis of cost or valuation:				
Cost	**4,453.0**	3,990.3	**13.3**	12.6
Valuation	**135.2**	135.2	**–**	–
	4,588.2	4,125.5	**13.3**	12.6

Included in the Group's other property, plant and equipment is capital work in progress costing RM476.2 million (2011: RM391.1 million). The other assets included under this category are motor vehicles and furniture and equipment.

Properties stated at valuation are based on independent professional valuation carried out on an open market basis. As allowed by the transitional provision of IAS16 (Revised) Property, plant and equipment, these assets continued to be stated on the basis of their previous valuations. The net book value of these revalued freehold properties that would have been included in the Group's financial statements, had these assets been carried at cost less depreciation is RM60.9 million (2011: RM62.4 million).

Additions to the Group's property, plant and equipment during the year include the capitalisation of interest cost of RM23.7 million (2011: RM14.0 million).

Pursuant to the sale and leaseback of plantation assets referred to in Note 40 to the financial statements, the Group will enjoy the continued use of these assets spanning over an area of approximately 19,945 hectares (2011: 48,873 hectares) of plantation land.

13. BIOLOGICAL ASSETS

	Group	
	2012	2011
	RM Million	RM Million
Group		
Cost		
At 1 January	**385.7**	439.1
Additions	**313.2**	2.9
Disposals	**–**	(0.1)
Transfer to assets held for sale (Note 28)	**–**	(57.2)
Exchange adjustment	**–**	1.0
At 31 December	**698.9**	385.7
Depreciation and impairment loss		
At 1 January	**38.1**	81.9
Charge for the year (Note 5)	**–**	1.3
Impairment loss (Note 5)	**–**	5.4
Reversal of impairment loss (Note 5)	**(3.7)**	–
Transfer to assets held for sale (Note 28)	**–**	(51.2)
Exchange adjustment	**–**	0.7
At 31 December	**34.4**	38.1
Net book value		
At 31 December	**664.5**	347.6
Accumulated impairment loss		
At 31 December	**34.4**	38.1

Additions to the Group's biological assets during the year include capitalisation of interest cost of RM0.1 million (2011: RM0.2 million).

14. INVESTMENT PROPERTIES

	Completed investment properties RM Million	Investment properties under construction at cost RM Million	Total RM Million
Group			
At 1 January 2011	1,021.4	53.3	1,074.7
Net fair value gain (Note 7)	109.5	–	109.5
Additions from subsequent expenditure	6.8	25.1	31.9
Revision to prior year's additions	(0.6)	(2.6)	(3.2)
Reclassification	75.8	(75.8)	–
At 31 December 2011	**1,212.9**	**–**	**1,212.9**
Net fair value gain (Note 7)	**61.5**	**–**	**61.5**
Additions from subsequent expenditure	**18.9**	**–**	**18.9**
Disposal	**(19.9)**	**–**	**(19.9)**
At 31 December 2012	**1,273.4**	**–**	**1,273.4**
Company			
At 1 January 2011	69.5	–	69.5
Net fair value loss (Note 7)	(4.5)	–	(4.5)
At 31 December 2011	**65.0**	**–**	**65.0**
Net fair value gain (Note 7)	**12.6**	**–**	**12.6**
At 31 December 2012	**77.6**	**–**	**77.6**

14. INVESTMENT PROPERTIES (CONT'D.)

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

Additions to the Group's investment properties during the year include the capitalisation of interest cost of RM0.5 million (2011: RM0.5 million).

15. DEVELOPMENT PROPERTIES

	Group	
	2012	2011
	RM Million	RM Million
At 1 January		
– Freehold land, at cost	**25.5**	25.5
– Long leasehold land, at cost	**9.1**	9.5
– Development cost	**192.5**	181.1
	227.1	216.1
Transfer to property development in progress (Note 24)		
– Long leasehold land	**(0.2)**	(0.4)
– Development cost	**(117.8)**	(53.6)
	(118.0)	(54.0)
Development cost incurred during the year	**138.6**	65.0
At 31 December	**247.7**	227.1
Interest cost capitalised during the year	**4.1**	2.0

16. PREPAID LAND LEASE PAYMENTS

	Group 2012 RM Million	2011 RM Million
Cost		
At 1 January	**45.2**	54.8
Additions	**26.8**	–
Acquisition of Subsidiaries (Note 19)	**7.2**	3.0
Disposals	**–**	(5.6)
Transfer to		
– Property, plant and equipment (Note 12)	**(4.9)**	–
– Assets held for sale (Note 28)	**–**	(7.2)
Exchange adjustment	**–**	0.2
At 31 December	**74.3**	45.2
Accumulated amortisation		
At 1 January	**5.6**	5.3
Charge for the year (Note 5)	**0.6**	0.9
Disposals	**–**	(0.3)
Transfer to		
– Property, plant and equipment (Note 12)	**(0.7)**	–
– Assets held for sale (Note 28)	**–**	(0.4)
Exchange adjustment	**–**	0.1
At 31 December	**5.5**	5.6
Net book value		
At 31 December	**68.8**	39.6
Amount to be amortised		
– Within 1 year	**3.0**	0.6
– Later than 1 year but not later than 5 years	**12.0**	2.4
– Later than 5 years	**53.8**	36.6
	68.8	39.6

17. LONG TERM PREPAYMENTS

	Group	
	2012	2011
	RM Million	RM Million
At 1 January	**143.3**	136.1
Additions	**20.6**	14.1
Amortisation for the year (Note 5)	**(9.4)**	(6.9)
Transfer from property, plant and equipment (Note 12)	**2.8**	–
At 31 December	**157.3**	143.3

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

18. DEFERRED TAXATION

	Group		Company	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
At 1 January	**(35.0)**	(55.6)	**–**	(1.6)
Recognised in profit or loss (Note 9)	**31.9**	15.6	**–**	1.6
Acquisition of Subsidiaries (Note 19)	**–**	4.8	**–**	–
Disposal of Subsidiaries (Note 19)	**0.5**	–	**–**	–
Exchange adjustment	**0.5**	0.2	**–**	–
At 31 December	**(2.1)**	(35.0)	**–**	–
Presented after appropriate offsetting as follows:				
Deferred tax assets	**54.5**	60.2	**–**	–
Deferred tax liabilities	**(56.6)**	(95.2)	**–**	–
	(2.1)	(35.0)	**–**	–

18. DEFERRED TAXATION (CONT'D.)

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

	Tax losses RM Million	Unabsorbed capital allowances RM Million	Others RM Million	Total RM Million
Deferred tax assets – Group				
At 1 January 2011	16.5	28.5	20.5	65.5
Recognised in profit or loss	31.5	(5.4)	2.0	28.1
Acquisition of Subsidiaries	–	–	12.5	12.5
Exchange adjustment	–	0.1	(0.7)	(0.6)
At 31 December 2011	**48.0**	**23.2**	**34.3**	**105.5**
Recognised in profit or loss	**43.9**	**3.9**	**3.5**	**51.3**
Exchange adjustment	**–**	**–**	**1.0**	**1.0**
At 31 December 2012	**91.9**	**27.1**	**38.8**	**157.8**

	Fair value gain on investment properties RM Million	Capital allowances RM Million	Others RM Million	Total RM Million
Deferred tax liabilities – Group				
At 1 January 2011	(17.0)	(107.4)	3.3	(121.1)
Recognised in profit or loss	(3.4)	(0.2)	(8.9)	(12.5)
Acquisition of Subsidiaries	(2.7)	(3.5)	(1.5)	(7.7)
Exchange adjustment	–	–	0.8	0.8
At 31 December 2011	**(23.1)**	**(111.1)**	**(6.3)**	**(140.5)**
Recognised in profit or loss	**15.7**	**(34.5)**	**(0.6)**	**(19.4)**
Disposal of Subsidiaries (Note 19)	**–**	**–**	**0.5**	**0.5**
Exchange adjustment	**–**	**–**	**(0.5)**	**(0.5)**
At 31 December 2012	**(7.4)**	**(145.6)**	**(6.9)**	**(159.9)**

18. DEFERRED TAXATION (CONT'D.)

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

	Group		Company	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
Unused tax losses	**157.9**	144.0	**–**	–
Unabsorbed capital allowances and agricultural allowances	**66.0**	77.2	**0.1**	0.3
	223.9	221.2	**0.1**	0.3

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

19. SUBSIDIARIES

	Company	
	2012	2011
	RM Million	RM Million
At cost		
Shares quoted in Malaysia	**762.1**	1,011.3
Unquoted shares	**2,200.5**	1,914.1
	2,962.6	2,925.4
Accumulated impairment loss	**(5.8)**	(5.8)
	2,956.8	2,919.6
Market value of quoted shares	**930.4**	1,116.0

19. SUBSIDIARIES (CONT'D.)

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

	Group	
	2012	2011
	RM Million	RM Million
Net assets acquired:		
Property, plant and equipment (Note 12)	**(19.0)**	(557.7)
Associate	**–**	(5.3)
Prepaid land lease payments (Note 16)	**(7.2)**	(3.0)
Deferred tax assets (Note 18)	**–**	(12.5)
Intangible assets (Note 22)	**(5.6)**	(235.2)
Current assets	**(57.5)**	(751.0)
Current liabilities	**26.5**	531.8
Non-current liabilities	**–**	3.4
Deferred tax liabilities (Note 18)	**–**	7.7
Long term borrowings	**–**	234.8
Non-controlling interests	**3.7**	44.9
Negative goodwill (Note 7)	**–**	40.4
Purchase consideration	**(59.1)**	(701.7)
Deposit paid previously	**–**	16.0
Cash and cash equivalents acquired	**(2.7)**	40.6
Net cash outflow on acquisition	**(61.8)**	(645.1)

The effects on the Group's performance and financial position arising from the current year's acquisition of Subsidiaries are not significant.

19. SUBSIDIARIES (CONT'D.)

The effects on the financial position of the Group arising from the disposal of Subsidiaries as disclosed in Note 42(b) and 42(h) are as follows:

	Group	
	2012	2011
	RM Million	RM Million
Net assets disposed:		
Property, plant and equipment (Note 12)	**10.9**	–
Current assets	**73.0**	–
Current liabilities	**(11.4)**	–
Deferred tax liabilities (Note 18)	**(0.5)**	–
Non-controlling interests	**(2.7)**	–
Transfer from exchange fluctuation reserve	**45.4**	–
Transfer to assets of disposal group classified as held for sale (Note 28)	**(5.8)**	–
Profit on disposal (Note 7)	**9.4**	–
Sale proceeds	**118.3**	–
Cash and cash equivalents disposed	**(3.8)**	–
Net cash inflow from disposal	**114.5**	–

20. ASSOCIATES

	Group		Company	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
At cost				
Shares quoted in Malaysia	**624.9**	624.9	**624.9**	624.9
Unquoted shares	**100.9**	80.9	**62.0**	62.0
	725.8	705.8	**686.9**	686.9
Shares of post acquisition reserves	**660.7**	568.9	**–**	–
	1,386.5	1,274.7	**686.9**	686.9
Market value				
Quoted shares	**1,063.8**	952.5	**1,063.8**	952.5

The summarised financial information of the Associates are as follows:

	Group	
	2012	2011
	RM Million	RM Million
Assets and liabilities		
Total assets	**56,886.4**	54,666.4
Total liabilities	**(50,383.8)**	(48,635.5)
Results		
Revenue	**3,248.2**	2,948.9
Net profit for the year	**683.0**	555.5

Goodwill included in the carrying amount of the Group's investment in Associates as at 31 December 2012 is RM40.5 million (2011: RM40.5 million).

21. INVESTMENTS

	Group		Company	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
Shares quoted in Malaysia	**652.8**	553.9	**5.3**	5.5
Malaysian unit trusts	**40.5**	38.7	**–**	–
Unquoted shares	**0.7**	0.7	**0.6**	0.6
	694.0	593.3	**5.9**	6.1
Accumulated impairment loss	**(0.5)**	(0.5)	**(0.5)**	(0.5)
	693.5	592.8	**5.4**	5.6

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

22. INTANGIBLE ASSETS

	Goodwill RM Million	Patrol vessel expenditure RM Million	Concession right RM Million	Rights to supply RM Million	Total RM Million
Group					
Cost					
At 1 January 2011	1,017.0	455.3	–	–	1,472.3
Acquisition of Subsidiaries (Note 19)	160.2	–	75.0	–	235.2
Additions	–	–	–	12.1	12.1
Reclassification to contract cost	–	(455.3)	–	–	(455.3)
At 31 December 2011	**1,177.2**	**–**	**75.0**	**12.1**	**1,264.3**
Acquisition of Subsidiaries (Note 19)	**5.6**	**–**	**–**	**–**	**5.6**
Additions	**–**	**–**	**–**	**77.7**	**77.7**
At 31 December 2012	**1,182.8**	**–**	**75.0**	**89.8**	**1,347.6**

22. INTANGIBLE ASSETS (CONT'D.)

	Goodwill RM Million	Patrol vessel expenditure RM Million	Concession right RM Million	Rights to supply RM Million	Total RM Million
Amortisation and impairment loss					
At 1 January 2011	–	–	–	–	–
Amortisation for the year (Note 5)	–	–	6.5	0.4	6.9
At 31 December 2011	**–**	**–**	**6.5**	**0.4**	**6.9**
Amortisation for the year (Note 5)	**–**	**–**	**8.7**	**24.6**	**33.3**
At 31 December 2012	**–**	**–**	**15.2**	**25.0**	**40.2**
Net carrying amount					
At 31 December 2012	**1,182.8**	**–**	**59.8**	**64.8**	**1,307.4**
At 31 December 2011	1,177.2	–	68.5	11.7	1,257.4

The carrying amount of goodwill allocated to the Heavy Industries Division is RM974.2 million (2011: RM974.2 million) with the remaining goodwill from other Divisions.

Goodwill is allocated for impairment testing purposes to the individual entity which is also the CGU. The recoverable amount is determined based on a value in use calculation using cash flow projections approved by the entity's board of directors covering three to five years. The projections reflect management expectation of revenue growth, operating cost and margins based on their recent experience. Discount rate applied to the cash flow projections are derived from the CGU's pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the CGU.

For Heavy Industries Division, pre-tax discount rates of 10% to 12.5% (2011: 10% to 12.5%) and a terminal growth rate of 2% (2011: 2%) have been applied in the value in use calculations.

22. INTANGIBLE ASSETS (CONT'D.)

For the remaining goodwill, the recoverable amounts were determined based on the value in use calculations using cash flow budgets approved by each entity's board of directors covering a three-year period. The appropriate pre-tax discount rates that reflect each entity's cost of borrowings, the expected rate of return and various risks were applied. No impairment loss was required as at 31 December 2012, as the recoverable amounts were in excess of the carrying amount of the remaining goodwill.

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

23. INVENTORIES

	Group	
	2012	2011
	RM Million	RM Million
Raw materials and work in progress	**126.4**	120.7
Goods for resale	**571.3**	483.5
Estate produce	**34.0**	18.0
Completed properties	**4.0**	6.5
Consumable stores	**44.3**	51.6
	780.0	680.3

During the year, the amount of inventories recognised as an expense of the Group amounted to RM6,301.5 million (2011: RM5,439.8 million).

24. PROPERTY DEVELOPMENT IN PROGRESS

	Group 2012 RM Million	2011 RM Million
At 1 January		
– Freehold land, at cost	**2.8**	5.7
– Long leasehold land, at cost	**2.8**	4.4
– Development cost	**225.6**	128.4
	231.2	138.5
Cost recognised in profit or loss		
– At 1 January	**(219.0)**	(104.0)
– Recognised during the year	**(184.3)**	(167.5)
– Reversal of completed projects	**140.4**	52.5
	(262.9)	(219.0)
Transfer		
– From development properties (Note 15)	**118.0**	54.0
– To inventories	**–**	(6.0)
– Reversal of completed projects	**(140.4)**	(52.5)
	(22.4)	(4.5)
Development cost incurred during the year	**97.0**	97.2
At 31 December	**42.9**	12.2
Interest cost capitalised during the year	**2.7**	2.6

25. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group 2012 RM Million	Group 2011 RM Million
Ship repair and shipbuilding		
Aggregate cost incurred and recognised profit less recognised losses to date	**3,628.9**	2,470.6
Progress billings	**(2,774.7)**	(1,799.0)
	854.2	671.6
Presented as follows:		
Due from customers on contracts	**900.8**	731.3
Due to customers on contracts	**(46.6)**	(59.7)
	854.2	671.6

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

	Group 2012 RM Million	Group 2011 RM Million
Depreciation of property, plant and equipment (Note 12)	**8.2**	3.8
Interest expense	**32.2**	0.3
Operating leases:		
– Minimum lease payments for plant and equipment	**3.0**	3.7
– Minimum lease payments for land and buildings	**0.1**	0.1
(Gain)/loss on foreign exchange	**(0.4)**	1.0
Staff cost	**47.6**	45.6
Amount of contract revenue and contract cost recognised in profit or loss are as follows:		
Contract revenue	**1,381.7**	835.6
Contract cost	**1,200.7**	703.1

26. RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
Trade receivables	**1,221.5**	1,181.2	**–**	–
Allowance for impairment	**(44.3)**	(47.2)	**–**	–
	1,177.2	1,134.0	**–**	–
Dividends receivable	**–**	–	**1.6**	106.3
Deposits	**131.3**	108.7	**–**	1.8
Prepayments	**79.1**	67.8	**0.2**	0.2
Income tax receivable	**63.5**	58.9	**30.3**	24.9
Advances to smallholders scheme	**4.5**	4.2	**–**	–
Advances paid to suppliers	**207.3**	–	**–**	–
Other receivables	**88.5**	91.9	**0.3**	9.0
Non-hedging derivatives (Note 37)	**–**	0.3	**–**	–
Amount due from holding corporation	**0.1**	–	**–**	–
Amounts due from Subsidiaries	**–**	–	**543.8**	508.9
Amounts due from Associates	**55.0**	40.5	**1.6**	1.9
Amounts due from other related companies	**3.3**	0.8	**–**	–
	1,809.8	1,507.1	**577.8**	653.0

The Group's normal trade credit terms range from payments in advance to 90 days. Other credit terms are assessed and approved on a case by case basis. Amounts due from Subsidiaries are unsecured, bear interest at a weighted average rate of 6.3% (2011: 6.5%) per annum and are repayable on demand. Amounts due from Associates and other related companies are trade balances which are unsecured and interest free, with repayment in accordance with normal trading terms.

26. RECEIVABLES (CONT'D.)

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

	2012 RM Million	2011 RM Million
Group		
Neither past due nor impaired	**823.5**	815.1
Past due but not impaired		
– Less than 30 days	**102.3**	82.2
– 31 to 60 days	**39.6**	42.7
– 61 to 90 days	**21.8**	10.8
– 91 to 120 days	**12.3**	7.9
– More than 120 days	**167.7**	164.3
	343.7	307.9
Impaired	**54.3**	58.2
	1,221.5	1,181.2

Receivables that are neither past due nor impaired
Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 93% (2011: 93%) of the Group's trade receivables arise from customers with more than 3 years of experience with the Group and insignificant losses noted.

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

Receivables that are past due but not impaired
The Group has trade receivables amounting to RM343.7 million (2011: RM307.9 million) that are past due at the reporting date but not impaired. Of these, RM4.9 million (2011: RM3.7 million) of trade receivables are secured by bank guarantees and deposits at the reporting date.

In addition, trade receivables due from Government of Malaysia and related agencies amounted to RM77.8 million (2011: RM203.8 million) at the reporting date.

26. RECEIVABLES (CONT'D.)

Receivables that are impaired

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

	Collectively impaired RM Million	Individually impaired RM Million	Total RM Million
Group – 2012			
Trade receivables – nominal	**2.6**	**51.7**	**54.3**
Allowance for impairment	**(2.6)**	**(41.7)**	**(44.3)**
Total	**–**	**10.0**	**10.0**
Group – 2011			
Trade receivables – nominal	2.5	55.7	58.2
Allowance for impairment	(2.5)	(44.7)	(47.2)
Total	–	11.0	11.0

Movement in allowance accounts:-

	2012 RM Million	2011 RM Million
Group		
At 1 January	**47.2**	49.4
Impairment loss (Note 5)	**13.6**	6.7
Reversal of impairment loss (Note 5)	**(7.3)**	(5.2)
Written off	**(4.7)**	(3.1)
Disposal of Subsidiaries	**(4.5)**	–
Exchange adjustment	**–**	(0.6)
At 31 December	**44.3**	47.2

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

27. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
Deposits with financial institutions	**202.0**	798.2	**–**	–
Cash held under Housing Development Accounts	**73.3**	58.3	**–**	–
Cash and bank balances	**473.9**	284.2	**5.1**	3.8
	749.2	1,140.7	**5.1**	3.8

The deposits are on call, and carry a weighted average interest rate of 2.4% (2011: 2.9%) per annum.

The average maturity periods of the Group's fixed deposits with financial institutions are 35 days (2011: 26 days). Bank balances are monies placed in current accounts with licensed banks which do not earn any interest.

The amount of deposits placed with the financial institutions which are Government-related entities amounted to RM192.4 million (2011: RM761.4 million).

28. DISPOSAL GROUP HELD FOR SALE

	Assets		Liabilities	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
Group				
At 1 January	**50.7**	91.7	**4.8**	–
Reclassification of amounts in respect of assets to be disposed	**5.8**	50.7	**–**	4.8
Disposal during the year	**(50.7)**	(91.7)	**(4.8)**	–
At 31 December	**5.8**	50.7	**–**	4.8
Company				
At 1 January	**–**	53.5	**–**	–
Disposal during the year	**–**	(53.5)	**–**	–
At 31 December	**–**	–	**–**	–

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

As at 31 December 2012, the assets and liabilities of the disposal group classified as held for sale are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RM Million	RM Million	**RM Million**	RM Million
Assets				
Property, plant and equipment (Note 12)	**–**	27.6	**–**	–
Biological assets (Note 13)	**–**	6.0	**–**	–
Prepaid land lease payments (Note 16)	**–**	6.8	**–**	–
Investments	**5.8**	–	**–**	–
Inventories	**–**	2.7	**–**	–
Trade and other receivables	**–**	6.8	**–**	–
Deposits, cash and bank balances	**–**	0.8	**–**	–
	5.8	50.7	**–**	–
Liabilities				
Trade and other payables	**–**	(4.8)	**–**	–

29. SHARE CAPITAL

	2012		2011	
	Million	**RM Million**	Million	RM Million
Ordinary shares of RM0.50 each				
Authorised	**2,000.0**	**1,000.0**	2,000.0	1,000.0
Issued and fully paid				
At 1 January	**940.2**	**470.1**	940.2	470.1
Bonus issue during the year	**94.0**	**47.0**	–	–
At 31 December	**1,034.2**	**517.1**	940.2	470.1

30. NON-DISTRIBUTABLE RESERVES

	Share premium RM Million	Revaluation and fair value reserves RM Million	Statutory reserve RM Million	Other reserves RM Million	Total RM Million
Group					
At 1 January 2011	1,212.1	184.6	196.9	114.8	1,708.4
Total comprehensive income for the year	–	32.5	–	1.5	34.0
Transfer during the year	–	–	28.5	0.1	28.6
Issue of shares during the year	–	–	–	(0.2)	(0.2)
At 31 December 2011	**1,212.1**	**217.1**	**225.4**	**116.2**	**1,770.8**
Total comprehensive income for the year	**–**	**97.8**	**–**	**(4.3)**	**93.5**
Bonus issue during the year	**(47.0)**	**–**	**–**	**–**	**(47.0)**
Transfer during the year	**–**	**–**	**34.2**	**–**	**34.2**
Partial disposal of a Subsidiary	**–**	**–**	**–**	**0.2**	**0.2**
Disposal of Subsidiaries	**–**	**–**	**–**	**45.4**	**45.4**
At 31 December 2012	**1,165.1**	**314.9**	**259.6**	**157.5**	**1,897.1**

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

	Group 2012 RM Million	Group 2011 RM Million
Revaluation reserve	**41.6**	41.6
Fair value reserve	**273.3**	175.5
	314.9	217.1

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

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

The statutory reserve is maintained by an Associate in compliance with the provision of the Banking and Financial Institution Act, 1989.

The other non-distributable reserves comprise mainly the Group's share of Subsidiaries' share premium arising from the issue of new shares to non-controlling interests.

31. RETAINED EARNINGS

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

32. BORROWINGS

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Non-current				
Term loans				
– Denominated in US Dollars	**29.8**	71.1	**–**	–
– Denominated in Indonesian Rupiah	**36.4**	37.3	**–**	–
– Denominated in Malaysian Ringgit	**1,607.9**	749.3	**57.5**	97.5
	1,674.1	857.7	**57.5**	97.5
Asset-backed bonds	**895.5**	–	**–**	–
Bank guaranteed medium term notes	**838.7**	674.1	**838.7**	674.1
	3,408.3	1,531.8	**896.2**	771.6
Repayable in 1 year	**(726.1)**	(372.5)	**(118.7)**	(40.0)
	2,682.2	1,159.3	**777.5**	731 .6
Current				
Overdrafts	**50.2**	51.6	**15.8**	19.7
Bankers' acceptances	**308.0**	367.0	**–**	–
Revolving credits				
– Denominated in US Dollars	**34.9**	36.2	**–**	–
– Denominated in Malaysian Ringgit	**2,808.2**	3,108.9	**1,035.0**	1,029.0
Short term loans	**726.1**	372.5	**118.7**	40.0
	3,927.4	3,936.2	**1,169.5**	1,088.7
Total borrowings	**6,609.6**	5,095.5	**1,947.0**	1,820.3

32. BORROWINGS (CONT'D.)

The Company has a term loan of RM45.0 million (2011: RM75.0 million) which is repayable by quarterly instalments over 2 years beginning 19 April 2012. Another term loan of RM12.5 million (2011: RM22.5 million) is repayable by quarterly instalments from 1 May 2009.

The bank guaranteed medium term notes (MTN) comprise six series with maturity dates ranging from 3 years to 5 years from the date of issue. The MTN which are repayable on maturity, have a long term rating of AAA(bg) and bear interest at the weighted average effective interest rate of 5.8% (2011: 5.9%) per annum. The MTN have been accounted for in the statement of financial position of the Group and of the Company as follows:

	2012 RM Million	2011 RM Million
Nominal value	**840.0**	678.0
Accrued interest and transaction cost less payments and amortisation	**(1.3)**	(3.9)
Carrying amount	**838.7**	674.1

During the year, a Subsidiary issued RM900.0 million asset-backed bonds (Bonds) comprising 4 classes of senior bonds which are rated AAA, AA2 and A1 and 3 classes of guaranteed bonds which are rated AAA(fg) and AA2(bg). The maturity dates for the Bonds range from 4½ years to 8½ years with the effective interest rate of 5.4% per annum. The senior bonds are secured by a debenture over the Subsidiary, a special purpose vehicle created for the Bonds issuance.

The Bonds have been accounted for in the statement of financial position of the Group as follows:

	Group 2012 RM Million
Nominal value	**900.0**
Accrued interest and transaction cost less payments and amortisation	**(4.5)**
Carrying amount	**895.5**

32. BORROWINGS (CONT'D.)

During the year, a Subsidiary obtained a term loan of RM654.0 million which is repayable within 4 years commencing from 27 April 2015. This Subsidiary also has revolving credits of RM516.2 million (2011: RM351.4 million) which are secured by way of an assignment on contract proceeds.

A Subsidiary has a term loan of RM256.5 million (2011: RM285.0 million) which is repayable over 20 half yearly instalments beginning 14 April 2012. The term loan is secured by five aircraft of the Subsidiary, proceeds account and the said Subsidiary's present and future rights, title, benefit and interest in and under the lease agreement of those aircraft.

A Subsidiary has a term loan and revolving credit denominated in US Dollars equivalent to RM23.5 million (2011: RM30.8 million) and RM34.9 million (2011: RM41.7 million) respectively which are secured against the vessels owned by the Subsidiary.

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

The amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM1,503.6 million (2011: RM1,550.6 million).

33. PAYABLES

	Group 2012 RM Million	Group 2011 RM Million	Company 2012 RM Million	Company 2011 RM Million
Non-current				
Deposit from tenants	**29.4**	27.4	**–**	–
Non-hedging derivatives (Note 37)	**–**	0.1	**–**	–
	29.4	27.5	**–**	–
Current				
Trade payables	**1,053.6**	1,043.7	**–**	–
Accrued interest	**20.0**	36.9	**5.7**	2.6
Accrued expenses	**282.6**	271.7	**–**	–
Deposits received	**67.5**	63.2	**1.6**	1.6
Retention sum	**2.1**	0.5	**–**	–
Consideration payable on additional investment in a Subsidiary	**–**	48.9	**–**	–
Advance from a customer	**–**	500.0	**–**	–
Other payables	**306.7**	208.2	**7.7**	5.8
Non-hedging derivatives (Note 37)	**0.2**	0.4	**–**	–
Amount due to holding corporation	**0.6**	1.8	**–**	–
Amounts due to Subsidiaries	**–**	–	**380.6**	498.0
Amounts due to Associates	**3.9**	1.6	**–**	–
Amounts due to other related companies	**0.2**	0.6	**–**	–
	1,737.4	2,177.5	**395.6**	508.0

(a) Trade payables

Included in trade payables is an amount of RM30.9 million (2011: RM50.6 million) due to the corporate shareholders of a Subsidiary. Trade payables are non-interest bearing, with normal credit terms ranging from 30 to 90 days.

(b) Other payables

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

(c) Amounts due to Subsidiaries

These amounts are unsecured, bear interest at a weighted average rate of 4.0% (2011: 6.0%) per annum and repayable on demand.

(d) Amounts due to Associates and other related companies

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

34. SEGMENTAL INFORMATION

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

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

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

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

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

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

(f) Trading & Manufacturing Division
The Division is engaged in the owning and operating of the BHPetrol brand of retail petrol station network and the manufacturing and trading of building materials. The Division also engages in engineering fabrication, trading of engineering equipment as well as the business of travel and shipping.

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

The Group's revenue from one major customer arising from activities of Pharmaceutical and Heavy Industries Divisions is disclosed in Note 41(a), (b) and (c).

34. SEGMENTAL INFORMATION (CONT'D.)

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

	Plantation RM Million	Heavy Industries RM Million	Property RM Million	Finance & Investment RM Million	Pharma-ceutical RM Million	Trading & Manu-facturing RM Million	Elimination RM Million	Total RM Million
2012								
Revenue								
Group total sales	872.5	1,713.2	525.6	130.0	1,812.3	5,186.7	(29.2)	10,211.1
Inter-segment sales	–	–	(29.2)	–	–	–	29.2	–
External sales	872.5	1,713.2	496.4	130.0	1,812.3	5,186.7	–	10,211.1
Results								
Segment result – external	151.3	(17.9)	133.0	(5.2)	114.1	177.9	–	553.2
Interest income	21.9	9.4	7.8	65.0	0.6	13.5	(101.6)	16.6
Other investment results	42.7	9.3	48.7	12.8	–	4.1	–	117.6
Finance cost	(13.5)	(98.1)	(31.8)	(104.4)	(34.5)	(36.4)	101.6	(217.1)
Share of results of Associates	4.0	–	3.3	141.6	–	–	–	148.9
Profit/(loss) before tax	206.4	(97.3)	161.0	109.8	80.2	159.1	–	619.2
Income tax expense								(101.5)
Profit for the year								517.7

34. SEGMENTAL INFORMATION (CONT'D.)

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

35. CONTINGENT LIABILITIES

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

On 30 April 2012, the Sibu High Court delivered its decision on the litigation, judging in favour of the Plaintiffs' claim and found the joint venture agreement dated 6 May 1998 between BPlant and the 1st Defendant null and void. The Sibu High Court further declared that the Principal Deed dated 14 January 2002 executed between the 1st Defendant, the 3rd Defendant and the Plaintiffs in relation to the development of the NCR Lands is deemed null and void. In the same judgment, the Sibu High Court dismissed BPlant's and BPK's counter claim against the Plaintiffs with costs. BPlant and BPK filed an appeal on 3 May 2012.

On 30 October 2012, the Sibu High Court granted BPlant's and BPK's application for Stay of Execution until after the full and final determination of their appeal. The date of the next hearing has not been fixed by the Sibu High Court.

Based on the facts of the case, the Group, upon consultation with the solicitors, is of the view that BPlant and BPK have a good defence to the claims by the Plaintiffs. Nevertheless, in the event of an unfavourable outcome of the appeal, the impact to the Group will not be significant.

(b) On 4 September 2012, the Group's Subsidiary Boustead Naval Shipyard Sdn Bhd (BNS) was served with a Writ of Summons by Ingat Kawan (M) Sdn Bhd (Plaintiff). The Plaintiff is claiming against BNS for unspecified general damages, special damages of RM50 million, interest at 10% per annum on the said amount of RM50 million calculated from 7 September 2011 until full settlement, interest at 8% per annum on the said amount of RM50 million calculated from the date of filing the Writ of Summons until full settlement, costs and other reliefs that the Court deems fit, arising from an alleged breach of contract by BNS. On 11 September 2012, BNS filed its defence and counterclaims and sought to add 5 parties as co-defendants in its counterclaims. On 30 November 2012, the Court dismissed the Plaintiff's objections to BNS's addition of the 5 co-defendants. The Court fixed 14 March 2013 for decision/clarification on BNS's application to strike out the Plaintiff's claims.

The Group, upon consultation with the solicitors, is of the view that the Group has a good defence to the claims by the Plaintiff.

As regards the defamation action by the same Plaintiff and another person, the High Court had, on 30 November 2012, allowed BNS's application to strike out the Plaintiff's claims without liberty to file afresh. In view of this, the Plaintiff's will not have any recourse to revive this defamation suit against BNS.

35. CONTINGENT LIABILITIES (CONT'D.)

(c) The Group's Subsidiary, Boustead Naval Shipyard Sdn Bhd (BNS), was served with a Writ of Summons on 13 January 2011 and Amended Statement of Claim on 10 March 2011 by Meridien Shore Sdn Bhd (In Liquidation) (Meridien). Under the said Writ of Summons, Meridien is claiming against BNS for specific damages in the amount of RM49,577,510.10, interest at 8% per annum on the said amount of RM49,577,510.10, general damages, cost and other relief that the Court deems fit over alleged losses suffered by Meridien arising from foreclosure of several of its lands in Johor (Lands) by Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat). Meridien is alleging that it had created third party charges over the Lands as a form of security for a financing facility granted by Bank Rakyat to BNS for the sum of RM15 million. It was also alleged by Meridien that Bank Rakyat foreclosed and auctioned off the Lands because BNS had defaulted on its repayment obligations to Bank Rakyat.

On 25 May 2012, the Kuala Lumpur High Court dismissed Meridien's claim with costs. BNS's counterclaim was also dismissed with no order as to costs. Meridien has since appealed against the Kuala Lumpur High Court's decision. The Court of Appeal had on 2 January 2013 dismissed with costs Meridien's appeal against the High Court's decision. Subsequently, Meridian has filed an application for leave at the Federal Court. However, the date of hearing of this application has not been fixed.

The Group, upon consultation with the solicitors, is of the view that the Group has a good defence to the claim by Meridien.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate, liquidity, credit, foreign exchange and market price risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders while minimising the potential adverse effects on the performance of the Group.

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

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

Interest rate risk

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

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

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

Interest rate risk (cont'd.)

Group	Note	WAEIR %	1 year or less RM Million	1 to 2 years RM Million	2 to 5 years RM Million	More than 5 years RM Million	Total RM Million
At 31 December 2012							
Fixed rate							
Financial assets:							
Deposits	**27**	**2.4**	**202.0**	**–**	**–**	**–**	**202.0**
Financial liabilities:							
Term loans	**32**	**5.7**	**(55.0)**	**(2.5)**	**(3.2)**	**–**	**(60.7)**
Bank guaranteed medium term notes	**32**	**5.8**	**(68.7)**	**(588.4)**	**(181.6)**	**–**	**(838.7)**
Asset-backed bonds	**32**	**5.4**	**–**	**(140.0)**	**(550.0)**	**(205.5)**	**(895.5)**
Floating rate							
Financial liabilities:							
Terms loans	**32**	**4.8**	**(602.4)**	**(140.9)**	**(654.2)**	**(215.9)**	**(1,613.4)**
Overdrafts	**32**	**7.5**	**(50.2)**	**–**	**–**	**–**	**(50.2)**
Revolving credits	**32**	**4.6**	**(2,843.1)**	**–**	**–**	**–**	**(2,843.1)**
Bankers' acceptances	**32**	**3.7**	**(308.0)**	**–**	**–**	**–**	**(308.0)**
At 31 December 2011							
Fixed rate							
Financial assets:							
Deposits	27	2.9	798.2	–	–	–	798.2
Financial liabilities:							
Term loans	32	7.6	(87.9)	(16.2)	(8.1)	–	(112.2)
Bank guaranteed medium term notes	32	5.9	–	–	(674.1)	–	(674.1)
Floating rate							
Financial liabilities:							
Term loans	32	4.9	(284.6)	(182.7)	(135.7)	(142.5)	(745.5)
Overdrafts	32	7.4	(51.6)	–	–	–	(51.6)
Revolving credits	32	4.8	(3,145.1)	–	–	–	(3,145.1)
Bankers' acceptances	32	3.7	(367.0)	–	–	–	(367.0)

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

Interest rate risk (cont'd.)

Company	Note	WAEIR %	1 year or less RM Million	1 to 2 years RM Million	2 to 5 years RM Million	Total RM Million
At 31 December 2012						
Fixed rate						
Financial liabilities:						
Term loans	**32**	**6.9**	**(10.0)**	**(2.5)**	**–**	**(12.5)**
Bank guaranteed medium term notes	**32**	**5.8**	**(68.7)**	**(588.4)**	**(181.6)**	**(838.7)**
Floating rate						
Financial assets:						
Amounts due from Subsidiaries	**26**	**6.3**	**543.8**	**–**	**–**	**543.8**
Financial liabilities:						
Term loans	**32**	**5.4**	**(40.0)**	**(5.0)**	**–**	**(45.0)**
Overdrafts	**32**	**7.7**	**(15.8)**	**–**	**–**	**(15.8)**
Revolving credits	**32**	**4.6**	**(1,035.0)**	**–**	**–**	**(1,035.0)**
Amounts due to Subsidiaries	**33**	**4.0**	**(380.6)**	**–**	**–**	**(380.6)**
At 31 December 2011						
Fixed rate						
Financial liabilities:						
Term loans	32	6.9	(10.0)	(10.0)	(2.5)	(22.5)
Bank guaranteed medium term notes	32	5.9	–	–	(674.1)	(674.1)
Floating rate						
Financial assets:						
Amounts due from Subsidiaries	26	6.5	508.9	–	–	508.9
Financial liabilities:						
Term loans	32	5.2	(30.0)	(40.0)	(5.0)	(75.0)
Overdrafts	32	7.8	(19.7)	–	–	(19.7)
Revolving credits	32	4.8	(1,029.0)	–	–	(1,029.0)
Amounts due to Subsidiaries	33	6.0	(498.0)	–	–	(498.0)

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

Interest rate risk (cont'd.)

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

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

	Group	
	2012	2011
	RM Million	RM Million
Notional amount of interest rate swap:		
Not more than 1 year	**12.5**	25.0
Later than 1 year and not later than 5 years	**–**	12.5
	12.5	37.5

The interest rate swap contract matures over 2 quarterly maturity periods commencing from 5 February 2012 with the fixed interest rate of 4.35% per annum.

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM18.1 million and RM7.4 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate fixed deposits and lower/higher positive fair value of an interest rate swap. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

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

Liquidity risk

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

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

	Note	On demand or within one year RM Million	One to five years RM Million	More than 5 years RM Million	Total RM Million
Group					
2012					
Borrowings	**32**	**4,195.2**	**2,471.8**	**511.7**	**7,178.7**
Trade and other payables	**33**	**1,737.2**	**29.4**	**–**	**1,766.6**
Derivatives	**33**	**0.2**	**–**	**–**	**0.2**
Total undiscounted financial liabilities		**5,932.6**	**2,501.2**	**511.7**	**8,945.5**
2011					
Liabilities directly associated with disposal group classified as held for sale	28	4.8	–	–	4.8
Borrowings	32	4,187.9	1,177.0	151.3	5,516.2
Trade and other payables	33	2,177.1	27.4	–	2,204.5
Derivatives	33	0.4	0.1	–	0.5
Total undiscounted financial liabilities		6,370.2	1,204.5	151.3	7,726.0

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

Liquidity risk (cont'd.)

	Note	On demand or within one year RM Million	One to five years RM Million	Total RM Million
Company				
2012				
Borrowings	**32**	**1,261.4**	**855.4**	**2,116.8**
Trade and other payables	**33**	**395.6**	**–**	**395.6**
Total undiscounted financial liabilities		**1,657.0**	**855.4**	**2,512.4**
2011				
Borrowings	32	1,182.4	839.4	2,021.8
Trade and other payables	33	508.0	–	508.0
Total undiscounted financial liabilities		1,690.4	839.4	2,529.8

Credit risk

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

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

As at 31 December 2012, the Group has a significant concentration of credit risk in the form of outstanding balance due from the Government of Malaysia, representing approximately 43.7% (2011: 56.3%) of the Group's total net trade receivables.

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

Credit risk (cont'd.)

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

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

Foreign currency risk

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

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

	Deposits, cash and bank balances RM Million	Receivables RM Million	Payables RM Million	Borrowings RM Million	Total RM Million
At 31 December 2012					
US Dollar	**5.2**	**18.0**	**(300.8)**	**(64.7)**	**(342.3)**
Euro	**24.3**	**–**	**(93.4)**	**–**	**(69.1)**
Indonesian Rupiah	**8.7**	**62.7**	**(45.2)**	**(36.4)**	**(10.2)**
Others	**–**	**1.8**	**(2.4)**	**–**	**(0.6)**
	38.2	**82.5**	**(441.8)**	**(101.1)**	**(422.2)**
At 31 December 2011					
US Dollar	4.1	36.2	(274.0)	(107.3)	(341.0)
Euro	144.8	8.6	(55.9)	–	97.5
Indonesian Rupiah	7.2	58.7	(39.6)	(37.3)	(11.0)
Others	0.1	1.4	(7.2)	–	(5.7)
	156.2	104.9	(376.7)	(144.6)	(260.2)

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

Foreign currency risk (cont'd.)

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

Market price risk

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

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

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value

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

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

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

Determination of fair value (cont'd.)

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

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

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

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

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

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

Fair value hierarchy

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

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

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

Fair value hierarchy (cont'd.)

	Level 1 RM Million	Level 2 RM Million	Total RM Million
Group			
2012			
Financial assets			
Investments	**693.3**	**–**	**693.3**
Total financial assets carried at fair value	**693.3**	**–**	**693.3**
Financial liabilities			
Forward currency contracts	**–**	**(0.1)**	**(0.1)**
Interest rate swap	**–**	**(0.1)**	**(0.1)**
Total financial liabilities carried at fair value	**–**	**(0.2)**	**(0.2)**
2011			
Financial assets			
Investments	592.6	–	592.6
Forward currency contracts	–	0.3	0.3
Total financial assets carried at fair value	592.6	0.3	592.9
Financial liabilities			
Interest rate swap	–	(0.5)	(0.5)
Total financial liabilities carried at fair value	–	(0.5)	(0.5)

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

The investment in quoted shares for the Company amounting to RM5.3 million (2011: RM5.5 million) is measured at Level 1 hierarchy.

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

Derivatives

	2012 Contract/ notional amount RM Million	2012 Fair value of derivatives RM Million	2011 Contract/ notional amount RM Million	2011 Fair value of derivatives RM Million
Non-hedging derivative assets (Note 26)				
Forward currency contracts	**–**	**–**	263.9	0.3
Total derivative assets	**–**	**–**	263.9	0.3
Non-hedging derivative liabilities (Note 33)				
Current				
Forward currency contracts	**298.6**	**(0.1)**	–	–
Interest rate swap	**12.5**	**(0.1)**	25.0	(0.4)
	311.1	**(0.2)**	25.0	(0.4)
Non-Current				
Interest rate swap	**–**	**–**	12.5	(0.1)
Total derivative liabilities	**311.1**	**(0.2)**	37.5	(0.5)

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

Derivatives (cont'd.)

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

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

The interest rate swap is used to hedge cash flow interest rate risk arising from a floating rate bank borrowing of RM12.5 million (2011: RM37.5 million). This interest rate swap receives floating interest equal to 3 months KLIBOR % (2011: 3 months KLIBOR %) per annum, pays a fixed rate interest of 4.35% (2011: 4.35%) per annum and has the same maturity terms as the bank borrowing.

As disclosed in Note 5 to the financial statements, the Group recognised a loss of RM11.7 million (2011: gain of RM23.2 million) arising from the fair value changes in derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot, foreign exchange forward rates and interest rate. The methods and assumptions applied in determining the fair values of derivatives are disclosed above.

38. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 32) over shareholders' equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 32) over the aggregate of the equity held by shareholders and non-controlling interests is 1.23 times (2011: 0.98 times). The Group's policy is to keep gearing within manageable levels.

With respect to banking facilities that the Group has with certain financial institutions, the Group is committed to ensure that the maximum gearing ratio limit of 1.5 times is complied with at all times.

39. COMMITMENTS

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Authorised and contracted				
Capital expenditure	**334.4**	451.4	**–**	–
Authorised but not contracted				
Capital expenditure	**629.2**	843.9	**1.1**	1.2

40. OPERATING LEASE OBLIGATION

Group as a lessee

During the period from 29 December 2006 to 21 March 2011, the Group entered into several sale and leaseback arrangements with CIMB Trustee Berhad, trustee for Al-Hadharah Boustead REIT, for the lease of plantation assets comprising 13 oil palm estates and 3 oil mills involving an area of approximately 19,944.5 hectares. The leases, which were for an initial period ranging from 1 to 3 years, are automatically renewable for 4 terms of 3 years each and further renewable for 5 terms of 3 years each from the date of inception of the respective leases.

On 7 November 2005, the Group entered into three Master Ijarah Agreements with Golden Crop Returns Berhad (GCRB) for the leaseback of plantation assets for lease periods of three, five and seven years. The Group had concurrently entered into Call Option Agreements with GCRB whereby the Group is entitled to call on GCRB to sell these plantation assets to the Group at fair market prices at the time of the exercise of the call options. The lease arrangements with GCRB expired on 22 November 2012 following the completion of buyback of the last tranche of plantation assets from GCRB on 22 October 2012.

In addition, a Subsidiary has several non-cancellable operating lease agreements for the use of land and buildings. These leases have an average life of between 3 to 30 years with renewal option included in the contracts. In the financial year ended 31 December 1996, the Government of Malaysia and the Subsidiary had finalised the lease agreement relating to the corporatisation of the Royal Malaysian Navy Dockyard. The agreement grants the Subsidiary a lease of 30 years from 1 September 1991 at a yearly rent of RM1 for the first five years, subject to revision thereafter.

40. OPERATING LEASE OBLIGATION (CONT'D.)

Group as a lessee (cont'd.)

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

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Within 1 year	**114.5**	119.1	**–**	–
Later than 1 year but not later than 5 years	**304.5**	14.2	**–**	–
Later than 5 years	**141.6**	21.7	**–**	–
	560.6	155.0	**–**	–

Group as a lessor

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

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

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Within 1 year	**71.4**	61.5	**5.4**	5.4
Later than 1 year but not later than 5 years	**46.7**	64.3	**5.4**	5.4
	118.1	125.8	**10.8**	10.8

41. SIGNIFICANT RELATED PARTY DISCLOSURES

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

Related parties of the Group include:

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

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

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

	Group		Company	
	2012 **RM Million**	2011 RM Million	**2012** **RM Million**	2011 RM Million
Associates				
Agricultural research and advisory services paid	**9.4**	8.6	**–**	–
Insurance premium paid	**17.8**	11.8	**0.2**	0.2
Rental income on office premises	**16.0**	16.4	**–**	–
Sales of goods	**0.6**	0.2	**–**	–
Professional fees paid	**1.6**	2.0	**1.2**	1.8
Insurance commission received	**3.1**	2.9	**–**	–
Provision of construction works	**–**	3.2	**–**	–
Holding corporation				
Purchase of land	**4.9**	–	**–**	–
Subsidiaries of holding corporation				
Purchase of goods for sale	**5.6**	6.6	**–**	–
Sales of goods	**25.6**	14.2	**–**	–
Provision of project management services	**2.7**	0.1	**–**	–
Rental expense				
– Hotel	**12.5**	12.3	**–**	–
– Office premises	**1.0**	1.3	**–**	–
Marketing cost	**1.3**	2.0	**–**	–
Provision of renovation works	**0.9**	–	**–**	–
Key management personnel				
Sale of development properties	**4.0**	–	**–**	–
Firms in which Directors have a substantial interest				
Legal and professional fees paid	**3.4**	4.2	**0.1**	0.1
Government-related financial institutions				
Interest income	**3.3**	0.8	**–**	–
Finance cost	**76.9**	62.8	**12.8**	10.7

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

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

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

	Group		Company	
	2012 RM Million	2011 RM Million	**2012 RM Million**	2011 RM Million
Directors				
Fees	**1.0**	1.0	**0.4**	0.4
Remuneration	**3.2**	3.1	**0.2**	0.2
Defined contribution plans	**0.5**	0.5	**–**	–
Meeting allowances	**0.1**	0.2	**–**	–
Estimated monetary value of benefits-in-kind	**1.0**	0.6	**–**	–
	5.8	5.4	**0.6**	0.6
Other key management personnel				
Short term employee benefits	**33.9**	31.6	**3.5**	3.2
Defined contribution plans	**3.9**	3.7	**0.5**	0.5
	37.8	35.3	**4.0**	3.7
Total paid to key management personnel	**43.6**	40.7	**4.6**	4.3

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

The Group is a Government-related entity by virtue of its relationship with Lembaga Tabung Angkatan Tentera, the ultimate holding corporation of the Group.

The significant transactions with Government-related entities are as follows:-

a) On 7 September 2012, a Subsidiary received a letter of award from the Ministry of Defence (MINDEF) to supply and deliver spare parts, maintenance services and training for the 23rd frigate squadron of the Royal Malaysian Navy at a contract value of RM70 million for a period of 3 years from the date of acceptance of the award. The Subsidiary has not recognised any revenue in respect of this transaction.

   On 16 December 2011, the Subsidiary received a letter of award from MINDEF to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of "Second Generation Patrol Vessels Littoral Combat Ships (Frigate Class)" (LCS) at a contract value of RM9 billion. The aggregate revenue recognised under the letter of award for the year ended 31 December 2012 amounted to RM642 million (2011: RM76 million).

   On 2 December 2009, the Subsidiary signed a contract with MINDEF to provide Service Life Extension Programme for Kasturi Class Corvettes at a contract sum of RM704 million. The aggregate revenue recognised for the year ended 31 December 2012 amounted to RM142 million (2011: RM240 million).

b) On 16 March 2011, a Subsidiary entered into a Concession Agreement with the Government of Malaysia represented by the Ministry of Health Malaysia (MOH) for a period of ten years expiring on 30 November 2019 for the right and authority to purchase, store, supply and distribute the Approved Products (drugs and non-drugs approved by MOH) to the Public Sector Customers such as government hospital, health office, health clinic, dental clinic or any health institution or other similar facility within Malaysia which is operated and controlled by the MOH and as determined by the MOH from time to time. The aggregate revenue recognised for the year amounted to RM1,258 million (2011: RM1,114 million).

c) On 12 August 2010, a Subsidiary received a letter of award from the Government of Malaysia to undertake In Service Support for 2 Royal Malaysian Navy's Prime Minister Class Scorpene Submarines for EURO193 million and RM532 million and is effective until 30 November 2015. The aggregate revenue recognised for the year amounted to RM253 million (2011: RM248 million).

   Another Subsidiary received a letter of award from the Government of Malaysia to design, construct and commission 10 units of Fast Interceptor Craft for Malaysian Maritime Enforcement Agency for a contract sum of RM131 million. The aggregate revenue recognised for the year amounted to RM38 million (2011: RM40 million).

42. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) On 20 December 2012, Bakti Wira Development Sdn Bhd (Bakti Wira), a wholly-owned Subsidiary of the Group, acquired 16 million ordinary shares of RM1.00 each in Astacanggih Sdn Bhd (Astacanggih), representing 80% of the issued and paid-up share capital of Astacanggih for a cash consideration of RM30 million.

Upon acquisition of Astacanggih, both Astacanggih and Bakti Wira entered into an agreement with a third party to acquire 200 acres of development land located in Bukit Raja, Klang, Selangor for a total consideration of RM130 million.

(b) On 30 November 2012, the Group, together with Supriadi Zainal, completed the disposal of 760,064 shares of PT Dendymarker Indahlestari (PTDI) with a nominal value of Rp1,000,000 per share representing 95% of the issued and paid-up share capital of PTDI to PT Agro Investama Gemilang (PTAIG) for a total cash consideration of USD38 million (RM119.5 million equivalent). In addition, the Group entered into a put and call option with PTAIG that granted PTAIG the option to purchase the remaining 40,003 shares of Rp1,000,000 each representing the remaining 5% of the issued and paid up share capital of PTDI for a cash consideration of USD2 million. The option is exercisable with effect from 28 November 2013.

(c) On 26 September 2012, the Group acquired 82,473,610 ordinary shares of RM1.00 each representing 97.14% equity interest in Johan Ceramics Berhad (JCB) held by Lembaga Tabung Angkatan Tentera for a cash consideration of RM28.9 million or RM0.35 per share. The Group's interest in JCB was further increased to 97.7% upon completion of the unconditional take-over offer to acquire all the remaining ordinary shares of RM1.00 each in JCB for a cash offer price of RM0.40 per share.

(d) On 21 May 2012, UAC Berhad (UAC) announced its intention to undertake a selective capital reduction and repayment exercise pursuant to Section 64 of the Companies Act, 1965 involving a cash payment of RM85.4 million. The SCR was duly completed on 20 December 2012, and UAC became a wholly owned Subsidiary of the Company. The shares of UAC were delisted from the Main Market of Bursa Malaysia Securities Berhad on 9 January 2013.

(e) During the year, the Company's interest in Pharmaniaga Berhad (Pharmaniaga) was reduced to 56.44% through the divestment of 12.68 million ordinary shares of RM1.00 each at a cash consideration of RM68 million or RM5.35 per share. Upon completion of this divestment, Pharmaniaga complied with the 25% public shareholder spread, and the suspension of the trading of the shares of Pharmaniaga was uplifted on 15 June 2012.

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

(f) During the year, the Group's wholly owned Subsidiary Mecuro Properties Sdn Bhd issued RM900.0 million bonds comprising 4 classes of Senior bonds which are rated AAA, AA2 and A1 and 3 classes of guaranteed bonds which are rated AAA(fg) and AA2(bg).

(g) During the year, the Company issued RM162 million bank guaranteed medium term notes (MTN) pursuant to the Company's RM1 billion MTN Programme initiated in 2010.

(h) On 29 June 2012, the Group disposed its entire stake in PSC Tema Shipyard Limited (PSCT) for a cash consideration of USD6.4 million, of which USD5.1 million (subject to tax) is in respect of equity investment whilst the remaining USD1.3 million is in respect of the agreed settlement of certain amounts owed by PSCT.

(i) During the year, the Company's interest in Boustead Petroleum Sdn Bhd (BPSB) was increased to 59.8% following the acquisition of 8,326,540 ordinary shares of RM1.00 each representing 7% of the issued and paid up share capital of BPSB at a cash consideration of RM18 million.

43. HOLDING CORPORATION

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

44. AUTHORISATION FOR ISSUANCE OF FINANCIAL STATEMENTS

These financial statements were authorised for issuance by the Board of Directors on 4 March 2013.

45. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained earnings of the Group and of the Company into realised and unrealised profit, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements are as follows:

	2012		2011	
	Group RM Million	**Company RM Million**	Group RM Million	Company RM Million
Total retained earnings of the Company and Subsidiaries				
– Realised	**2,236.0**	**267.8**	2,236.9	318.3
– Unrealised	**298.5**	**21.3**	236.2	8.7
	2,534.5	**289.1**	2,473.1	327.0
Total share of retained earnings of Associates				
– Realised	**609.1**	**–**	561.2	–
– Unrealised	**51.6**	**–**	7.7	–
	3,195.2	**289.1**	3,042.0	327.0
Consolidation adjustments	**(953.4)**	**–**	(831.5)	–
	2,241.8	**289.1**	2,210.5	327.0

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

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2012	% 2011
As at 31 December 2012				
SUBSIDIARIES				
Boustead Plantations Berhad	Investment holding and oil palm cultivation	RM124,521,383	**100**	100
Boustead Properties Berhad	Investment holding and property investment	RM255,199,031	**100**	100
Pharmaniaga Berhad**	Investment holding	RM117,675,567	**56**	67
Boustead Heavy Industries Corporation Berhad	Investment holding	RM248,457,612	**65**	65
Boustead Naval Shipyard Sdn Bhd	Construction, repair and maintenance of naval and merchant ships	RM130,000,003	**82**	82
UAC Berhad**	Manufacture of fibre cement products and property investment	RM1,000,000	**100**	65
Boustead Rimba Nilai Sdn Bhd	Cultivation and processing of oil palm	RM100,000,000	**100**	100
Bounty Crop Sdn Bhd	Investment holding	RM70,200,000	**100**	100
Boustead Segaria Sdn Bhd	Oil palm cultivation	RM18,000,520	**100**	100
Boustead Emastulin Sdn Bhd	Cultivation and processing of oil palm and automobile dealership	RM17,000,000	**100**	100
Boustead Credit Sdn Bhd	Hire purchase and lease financing	RM15,000,000	**100**	100
Boustead Eldred Sdn Bhd	Oil palm cultivation	RM15,000,000	**100**	100
Boustead Engineering Sdn Bhd	Engineering equipment and chemicals distributor	RM8,000,000	**100**	100
Boustead Trunkline Sdn Bhd	Oil palm cultivation	RM7,000,000	**100**	100
Boustead Global Trade Network Sdn Bhd	Insurance agent	RM3,000,000	**100**	100
Boustead Weld Quay Sdn Bhd	Property investment	RM100,000,000	**100**	100

Name of company*	Principal activities	Paid-up capital	Group interest % 2012	Group interest % 2011
As at 31 December 2012				
SUBSIDIARIES (CONT'D.)				
Boustead Gradient Sdn Bhd	Cultivation and processing of oil palm	RM3,000,000	**100**	100
Boustead Travel Services Sdn Bhd	Travel agent	RM5,500,000	**100**	100
Boustead Estates Agency Sdn Bhd	Plantation management	RM1,050,000	**100**	100
Boustead Management Services Sdn Bhd	Management services	RM3,000,000	**100**	100
Boustead Information Technology Sdn Bhd	Computer services	RM1,000,000	**100**	100
Boustead Construction Sdn Bhd	Project management	RM1,000,000	**100**	100
Boustead Sungai Manar Sdn Bhd	Property investment	RM4,500,000	**100**	100
Mutiara Rini Sdn Bhd	Property developer	RM75,000,000	**100**	100
Boustead Balau Sdn Bhd	Property developer	RM30,000,000	**100**	100
Boustead Curve Sdn Bhd	Property investment	RM150,000,000	**100**	100
Damansara Entertainment Centre Sdn Bhd	Property investment	RM30,000,000	**100**	100
Boustead Hotels & Resorts Sdn Bhd	Hotel operations	RM75,000,000	**100**	100
Boustead Realty Sdn Bhd	Property investment	RM100,000,000	**100**	100
Boustead Weld Court Sdn Bhd	Property investment	RM20,000,000	**100**	100
Nam Seng Bee Hoon Sdn Bhd	Property investment	RM20,000,000	**100**	100
Mecuro Properties Sdn Bhd	Property investment	RM2	**100**	–
Boustead Advisory and Consultancy Services Sdn Bhd	Plantation management	RM500,002	**100**	100
Boustead Shipping Agencies Sdn Bhd	Shipping agent	RM2,000,000	**100**	100
Boustead Solandra Sdn Bhd	Oil palm cultivation	RM200,000	**100**	100
AB Shipping Sdn Bhd	Shipbroker	RM45,000	**100**	100
Bestari Marine Sdn Bhd	Marine surveys and consultancy	RM35,000	**100**	100

Name of company*	Principal activities	Paid-up capital	Group interest % 2012	% 2011
As at 31 December 2012				
SUBSIDIARIES (CONT'D.)				
Boustead Telok Sengat Sdn Bhd	Cultivation and processing of oil palm	RM9,184,000	**100**	100
Boustead Building Materials Sdn Bhd	Building products distributor and project management	RM30,000,000	**100**	100
Boustead Sissons Paints Sdn Bhd	Paint manufacturer	RM12,663,000	**100**	100
Johan Ceramics Berhad	Manufacture of glazed ceramic wall and floor tiles	RM84,898,510	**98**	–
Boustead Pelita Kanowit Oil Mill Sdn Bhd	Processing of oil palm	RM30,000,000	**60**	70
Boustead Sedili Sdn Bhd	Oil palm cultivation	RM6,150,000	**70**	70
Midas Mayang Sdn Bhd	Property investment	RM10,000,000	**80**	80
Cargo Freight Shipping Sdn Bhd	Shipping agent	RM186,000	**70**	70
Boustead Pelita Kanowit Sdn Bhd	Cultivation of oil palm	RM34,560,000	**60**	60
Boustead Pelita Tinjar Sdn Bhd	Cultivation and processing of oil palm	RM48,000,000	**60**	60
The University of Nottingham in Malaysia Sdn Bhd	Operation of a university	RM154,960,000	**66**	66
Boustead DCP Sdn Bhd	Manufacture of chilled water	RM12,000,000	**100**	100
Bakti Wira Development Sdn Bhd	Investment holding	RM75,000	**100**	100
Astacanggih Sdn Bhd	Investment holding	RM20,000,000	**80**	–
Pharmaniaga Manufacturing Berhad**	Manufacture of pharmaceutical products	RM10,000,000	**56**	67
Pharmaniaga Logistics Sdn Bhd**	Procurement and distribution of pharmaceutical and medical products	RM40,000,000	**56**	67
Pharmaniaga Marketing Sdn Bhd**	Marketing of pharmaceutical products	RM3,000,000	**56**	67

Name of company*	Principal activities	Paid-up capital	Group interest % 2012	Group interest % 2011
As at 31 December 2012				
SUBSIDIARIES (CONT'D.)				
Pharmaniaga LifeScience Sdn Bhd**	Manufacture of pharmaceutical products	RM75,000,000	**56**	67
Pharmaniaga Research Centre Sdn Bhd**	Pharmaceutical research & development	RM100,000	**56**	67
Pharmaniaga Biomedical Sdn Bhd**	Supply & installation of medical and hospital equipment	RM8,000,000	**56**	67
Idaman Pharma Manufacturing Sdn Bhd	Manufacture of pharmaceutical products	RM25,000,000	**56**	67
Pharmaniaga International Corporation Sdn Bhd**	Investment holding	RM12,000,000	**56**	67
PT Millennium Pharmacon International Tbk**+	Distribution of pharmaceutical & diagnostic products and food supplements	Rp72,800,000,000	**31**	38
UAC Steel Systems Sdn Bhd**	Manufacture, sale and installation of steel roof truss systems	RM1,860,000	**100**	65
Boustead Penang Shipyard Sdn Bhd	Heavy engineering construction, ship repair and shipbuilding	RM350,000,000	**65**	65
Perstim Industries Sdn Bhd	Investment holding	RM51,155,724	**65**	65
BHIC Marine Carrier Sdn Bhd (formerly known as BHIC Petroleum Sdn Bhd)	Provision of engineering services for oil and gas industry	RM3,000,000	**65**	65
Dominion Defence & Industries Sdn Bhd	Supply and services of marine and defence related products	RM1,000,000	**65**	65
BHIC Defence Techservices Sdn Bhd	Provision of maintenance and services for defence related products	RM1,000,000	**65**	65

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2012	Group interest % 2011
As at 31 December 2012				
SUBSIDIARIES (CONT'D.)				
BHIC Defence Technologies Sdn Bhd	Investment holding	RM36,579,282	**65**	65
Naval and Defence Communication System Sdn Bhd	Provision for maintenance and services of telecommunication systems	RM100,000	**65**	65
BHIC Navaltech Sdn Bhd	In-service support for the maintenance, services and supply of spare parts for vessels	RM1,000,000	**65**	65
BHIC Electronics and Technologies Sdn Bhd	Provision of maintenance and services for defence weapons and related products	RM2,329,897	**65**	65
Atlas Defence Technology Sdn Bhd	Supply of electronics and system technology to defence related industry	RM510,000	**46**	46
Malaysian Heavy Industry Group Sdn Bhd	Investment holding	RM25,000	**39**	39
BHIC MSM Sdn Bhd	Provision for maintenance and repair of MTU products	RM1,000,000	**39**	39
Boustead DCNS Naval Corporation Sdn Bhd	Vessel maintenance	RM10,000,000	**39**	39
Contraves Advanced Devices Sdn Bhd	Manufacture of electronic products	RM5,000,000	**33**	33
BYO Marine Sdn Bhd**	Construction of vessels	RM100	**33**	33
BHIC Bofors Asia Sdn Bhd	Providing, supplying and servicing BOFORS weapons system	RM1,000,000	**33**	33
BHIC Aeroservices Sdn Bhd	Maintenance, repair and overhaul of rotary and fixed wing aircraft	RM500,000	**33**	33

Name of company*	Principal activities	Paid-up capital	Group interest % 2012	Group interest % 2011
As at 31 December 2012				
SUBSIDIARIES (CONT'D.)				
Boustead Langkawi Shipyard Sdn Bhd	Repair and maintenance of luxury boats and yachts	RM100,000,000	**82**	82
Boustead Petroleum Sdn Bhd	Investment holding	RM118,329,300	**60**	53
Atlas Hall Sdn Bhd	Oil and gas engineering agency	RM3,265,306	**51**	51
MHS Aviation Berhad	Provision of air transportation, flight support, engineering and technical services	RM20,000,000	**51**	51
MHS Assets Sdn Bhd	Leasing of aircraft	RM10,000,000	**51**	51
Boustead Petroleum Marketing Sdn Bhd**	Marketing of petroleum products	RM229,967,000	**42**	37
Boustead Idaman Sdn Bhd	Investment holding	RM13,000,000	**100**	100
Pharmaniaga Pristine Sdn Bhd (formerly known as Safire Pharmaceuticals (M) Sdn Bhd)	Dormant	RM20,000,050	**56**	67
S.B. Industries (Sdn) Bhd**	Dormant&	RM5,800,000	**100**	65
UAC Pipes Sdn Bhd**	Dormant	RM5,000,000	**100**	65
UAC Masterflange Sdn Bhd**	Dormant	RM2,000,000	**100**	65
U.K. Realty Sdn Bhd	Ceased operations	RM40,000,000	**100**	100
Boustead Sutera Sdn Bhd	Ceased operations	RM4,250,000	**100**	100
Boustead Silasuka Sdn Bhd	Ceased operations	RM10,000,000	**100**	100
Jernih Rezeki Sdn Bhd	Ceased operations&	RM5,000,000	**51**	51

BOUSTEAD GROUP

Name of company*	Principal activities	Paid-up capital	Group interest % 2012	% 2011
As at 31 December 2012				
ASSOCIATES				
Pavilion Entertainment Centre (M) Sdn Bhd	Property development	RM3,000,000	**50**	50
Drew Ameroid (Malaysia) Sdn Bhd	Industrial chemicals distributor	RM20,000	**50**	50
Asia Smart Cards Centre (M) Sdn Bhd	Smart card personalisation	RM100,000	**50**	50
Wah Seong Boustead Co Ltd^	Consumer and building products distributor	Kyat2,760,000	**50**	50
Applied Agricultural Resources Sdn Bhd	Agricultural research and advisory services	RM500,000	**50**	50
Kao (Malaysia) Sdn Bhd	Toiletries, household products distributor	RM16,000,000	**45**	45
K'Line Kinkai (Malaysia) Sdn Bhd	Shipping agent	RM500,000	**30**	30
Cadbury Confectionery Malaysia Sdn Bhd	Chocolate and sugar confectionery manufacturer	RM8,185,000	**25**	25
Affin Holdings Berhad	Financial services group	RM1,494,575,806	**20**	20
Perimekar Sdn Bhd	Ceased operations	RM1,000,000	**20**	20
Jendela Hikmat Sdn Bhd	Property development	RM42,000,000	**30**	30
Rakan Riang Sdn Bhd	Operating education and entertainment facilities	RM30,600,000	**20**	20
Boustead Ikano Sdn Bhd (formerly known as Circuit Wealth Sdn Bhd)	Property investment	RM40,000,000	**50**	–
Boustead Wah Seong Sdn Bhd	Investment holding	RM2	**50**	–

* Incorporated in Malaysia unless otherwise indicated
** Subsidiaries not audited by Ernst & Young
\+ Incorporated in Indonesia
^ Incorporated in Myanmar
& Commenced member's voluntary liquidation

ADDITIONAL DISCLOSURES

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

Proceeds from issue of the bank guaranteed medium term notes (MTN) have been fully utilised as at 28 February 2013:

	Proposed utilisation RM Million	Actual utilised RM Million	To be utilised RM Million
Repayment of revolving credit loans	69.0	69.0	–
Acquisition of Pharmaniaga Berhad	350.0	350.0	–
Acquisition of plantation assets	92.0	92.0	–
General investment and repayment of borrowings	329.0	329.0	–
	840.0	840.0	–

The balance of the MTN programme comprising RM160 million of MTN are yet to be issued.

2. SHARE BUY BACKS DURING THE FINANCIAL YEAR

The Company did not carry out any share buy back exercises during the financial year ended 31 December 2012.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2012.

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 2012.

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 2012.

6. NON-AUDIT FEES

	Group RM'000	Company RM'000
Non-audit fees paid to the external auditors for the financial year ended 31 December 2012		
– Auditor of the Company	**145**	**62**
– Others	**389**	**119**
	534	**181**

The provision of non-audit services by the external auditors to the Group is both cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants.

7. VARIATION IN RESULT

There was no profit estimation, forecast and projection made or released by the Company during the financial year ended 31 December 2012.

8. PROFIT GUARANTEE

There was no profit guarantees given by the Company and its Subsidiaries during the financial year ended 31 December 2012.

9. MATERIAL CONTRACTS

On 6 November 2012, The Group's Subsidiary, Mutiara Rini Sdn Bhd entered into a Sale and Purchase Agreement with Lembaga Tabung Angkatan Tentera for the purchase of three parcels of freehold land measuring approximately12.84 acres in Cochrane, Kuala Lumpur at a cash purchase price of RM106.7 million. The acquisition was duly completed upon payment of the balance purchase consideration in February 2013.

There were no other material contracts which had been entered into by the Group involving the interests of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2012 or entered into since the end of the previous financial year

RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 9 April 2012, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 3.1.5 of Practice Note No. 12 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2012 pursuant to the Shareholders' Mandate are disclosed as follows:

Related party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Boustead Naval Shipyard Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin Datuk Azzat Kamaludin Lembaga Tabung Angkatan Tentera (LTAT)	Ship building and shiprepair works provided to Boustead Heavy Industries Corporation Berhad	3.4
		Premise rental paid by Boustead Heavy Industries Corporation Berhad	0.8
		Provision of computer services from Boustead Information Technology Sdn Bhd	2.1
Boustead Heavy Industries Corporation Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin Dato' Ghazali Mohd Ali Datuk Azzat Kamaludin LTAT	Sale of equipment and machinery for ship related activities to Boustead Naval Shipyard Sdn Bhd	0.3
		Ship building and ship repair works provided to Boustead Naval Shipyard Sdn Bhd	250.1
Affin Holdings Berhad Group	Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) Tan Sri Dato' Seri Lodin Wok Kamaruddin Datuk Azzat Kamaludin Dato' Ghazali Mohd Ali LTAT	Office rental for Menara Boustead, Menara Affin and the Curve paid to Boustead Realty Sdn Bhd, Boustead Properties Berhad and Boustead Curve Sdn Bhd	16.0
		Provision of professional services to Boustead Holdings Berhad and Boustead Naval Shipyard Sdn Bhd	1.6

RECURRENT RELATED PARTY TRANSACTIONS

Related party	Interested Director/ connected person	Nature of transactions	Actual transactions RM Million
Irat Hotels and Resorts Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin Dato' Ghazali Mohd Ali LTAT	Rental of hotel building paid by Boustead Hotels and Resorts Sdn Bhd	12.5
Johan Ceramics Berhad	Tan Sri Dato' Seri Lodin Wok Kamaruddin Dato' Ghazali Mohd Ali LTAT	Sale of ceramics tiles to Boustead Building Materials Sdn Bhd	5.6
Perwira Niaga Malaysia	Tan Sri Dato' Seri Lodin Wok Kamaruddin LTAT	Purchase of fuel from Boustead Petroleum Marketing Sdn Bhd	25.6
Jendela Hikmat Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin LTAT	Provision of construction works from Boustead Buildings Materials Sdn Bhd	–
Perbadanan Perwira Harta Malaysia	Tan Sri Dato' Seri Lodin Wok Kamaruddin LTAT	Provision of renovation works from Boustead Building Materials Sdn Bhd	0.9
DKSH Malaysia Sdn Bhd	Tan Sri Dato' Seri Lodin Wok Kamaruddin LTAT	Supply of pharmaceutical products to Pharmaniaga Berhad	88.4
Arkitek MAA	Dato' Ghazali Mohd Ali	Architectural services to Boustead Curve Sdn Bhd, Boustead Weld Quay Sdn Bhd, Damansara Entertainment Centre Sdn Bhd, Mutiara Rini Sdn Bhd and Boustead Balau Sdn Bhd	2.8
Azzat & Izzat	Datuk Azzat Kamaludin	Provision of legal services to Boustead Holdings Berhad Group	0.6

TOP 30 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
The Curve, Jalan PJU 7/3, Mutiara Damansara, Selangor	5.04	Commercial land and building	Freehold	8	545.0	*2012
Royale Bintang Damansara No 2, Jalan PJU 7/3 Mutiara Damansara, Selangor	0.88	Hotel	Freehold	1	209.5	2012
University of Nottingham in Malaysia, Semenyih Selangor	41.17	University campus	Freehold	7	175.8	2003
eCurve, Jalan PJU 7/3 Mutiara Damansara, Selangor	1.57	Commercial land and building	Freehold	7	170.0	*2012
Mutiara Rini, Kulai, Johor	303.5	Development land	1912 – 2911		157.9	1995
Menara Affin, 80 Jalan Raja Chulan, Kuala Lumpur	0.34	Office complex	Freehold	14	145.6	*2012
Menara Boustead, 69 Jalan Raja Chulan, Kuala Lumpur	0.43	Office complex	Freehold	27	122.7	2001
Segaria Estate, Semporna Sabah	4,746.2	Oil palm estate & palm oil mill	1965 – 2072	34	116.3	2012
Curve NX, Jalan PJU 7/3 Mutiara Damansara Selangor	0.61	Commercial land and building	Freehold	1	113.0	*2012
Royale Bintang Kuala Lumpur 17-21 Jalan Bukit Bintang, Kuala Lumpur	0.31	Hotel	Freehold	15	99.6	2003
183 Ampang, Lot 923 Jalan Ampang, Kuala Lumpur	1.23	43 units of luxury condominium	Freehold	4	99.0	*2012
Sungai-Sungai Estate Sugut, Sabah	4,062.0	Oil palm estate & palm oil mill	1997 – 2098	7	96.5	2012

TOP 30 PROPERTIES OF THE GROUP

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Royale Bintang Seremban Jalan Dato' A.S. Dawood Seremban, Negeri Sembilan	2.52	Hotel	Freehold	12	89.3	2008
Lot PT 46016, HSD 87359 Mukim of Kapar, Klang Selangor	4.1	Industrial land and building	Freehold	18	81.9	2011
Menara UAC, 12 Jalan PJU 7/5 Mutiara Damansara, Selangor	0.57	Office complex	Freehold	5	81.0	*2012
Grant No. 44309, Mukim Pekan Puchong Perdana Selangor	2.8	Industrial land and building	Freehold	12	79.3	2011
Menara Boustead Penang, Jalan Sultan Ahmad Shah Georgetown, Pulau Pinang	4.0	Office complex	Freehold	14	77.6	*2012
Lot 70, Mutiara Damansara Mukim Sungai Buluh Selangor	7.04	Development land	Freehold		75.5	1999
Lot 719, Lot 723-725, Lot 444-445 and Lot 235 Mukim Georgetown Daerah Timur Laut Pulau Pinang	0.48	Hotel under construction	Freehold		69.9	2007
Sungai Jernih Estate Pekan, Pahang	2,746.4	Oil palm estate & palm oil mill	1981 – 2091	21	64.9	2012
Sungai Segamaha Estate Lahad Datu, Sabah	3,244.5	Oil palm estate & palm oil mill	1979 – 2077	16	64.8	2012
Pedai Estate Kanowit, Sarawak	3,421.6	Oil palm estate	1998 – 2058		60.0	1998
Kawananan Estate Sugut, Sabah	2,585.0	Oil palm estate	1997 – 2098		59.0	2012

Location	Hectares	Description	Tenure	Age of buildings Years	Book value	Year of acquisition/ revaluation
Jih Estate Kanowit, Sarawak	2,936.4	Oil palm estate	1998 – 2058		50.2	1998
Bukit Segamaha Estate Lahad Datu, Sabah	2,415.1	Oil palm estate	1979 – 2077		49.5	2012
Lot 67329 and Lot 67330 Mutiara Damansara Mukim Sungai Buluh Selangor	0.85	Commercial land	Freehold		42.2	*2012
Loagan Bunut Estate Miri, Sarawak	4,190.0	Oil palm estate & palm oil mill	1991 – 2091	8	45.3	1994
Royale Bintang Curve Jalan PJU 7/3, Mutiara Damansara, Selangor	0.62	Hotel	Freehold	8	37.9	2005
Pajakan Negeri No. 649 Lot No. 3222, Mukim 13 Daerah Timur Laut Pulau Pinang	8.18	Shipyard	1973 – 2072	41	30.2	2007
Wisma Boustead 71, Jalan Raja Chulan Kuala Lumpur	0.11	Office Complex	Freehold	29	21.6	1984

** Year of revaluation*
Book values are stated in RM million

GROUP OIL PALM AGRICULTURAL STATISTICS

	2012	2011	2010	2009	2008
Planted area (hectares)					
Prime mature	**54,741**	60,730	61,323	62,236	62,634
Young mature	**8,036**	7,183	6,308	4,634	5,147
Total mature	**62,777**	67,913	67,631	66,870	67,781
Immature	**5,598**	6,271	6,723	7,500	6,708
Total planted	**68,375**	74,184	74,354	74,370	74,489
FFB crop (MT)	**1,100,409**	1,121,629	1,070,455	1,106,371	1,161,334
FFB yield per hectare (MT/hectare)					
Prime mature	**18.0**	17.1	16.3	16.7	17.5
Total mature	**17.5**	16.5	15.8	16.5	17.1
Mill production (MT)					
Palm oil	**250,430**	247,928	237,078	242,582	257,468
Palm kernel	**56,059**	56,339	54,269	56,918	61,018
Extraction rates (%)					
Palm oil	**20.8**	20.3	20.5	20.2	19.9
Palm kernel	**4.7**	4.6	4.7	4.7	4.7
Oil yield per prime mature hectare (MT/hectare)	**3.7**	3.9	3.7	3.7	4.1
Average selling prices (RM/MT)					
FFB	**577**	687	556	433	597
Palm oil	**2,902**	3,272	2,622	2,170	2,794
Palm kernel	**1,568**	2,195	1,625	990	1,571

PLANTATION AREA STATEMENT

AREA STATEMENT

Categories	2012 Hectares	2012 %	2011 Hectares	2011 %
Oil palm	**68,375**	**84.1**	74,184	77.0
Plantable reserves	**–**	**–**	8,229	8.5
Building sites, roads, unplantable areas, etc.	**12,958**	**15.9**	13,980	14.5
Total	**81,333**	**100.0**	96,393	100.0

AGE PROFILE OF PALMS

Region	Immature < 3 years	Young mature 3 – 6 years	Prime mature 7 – 15 years	Prime mature 16 – 25 years	Total planted
Peninsular Malaysia	**3,838**	**4,831**	**8,202**	**9,580**	**26,451**
Sabah	**1,672**	**3,205**	**9,477**	**9,477**	**23,831**
Sarawak	**88**	**–**	**15,045**	**2,960**	**18,093**
Total hectares	**5,598**	**8,036**	**32,724**	**22,017**	**68,375**

Oil palm area includes 19,945 hectares leased from Al-Hadharah Boustead REIT.

LOCATION OF GROUP PLANTATIONS

Peninsular Malaysia

1. Batu Pekaka
2. Kuala Muda
3. Stothard
4. Kedah Oil Palm
5. Bukit Mertajam
6. Malakoff
7. TRP
8. Malaya
9. Lepan Kabu
10. Solandra
11. LTT-Terengganu
12. Sungai Jernih
13. Bebar
14. Balau
15. Bekoh
16. Eldred
17. Kulai Young
18. Chamek
19. Boustead Sedili
20. Telok Sengat

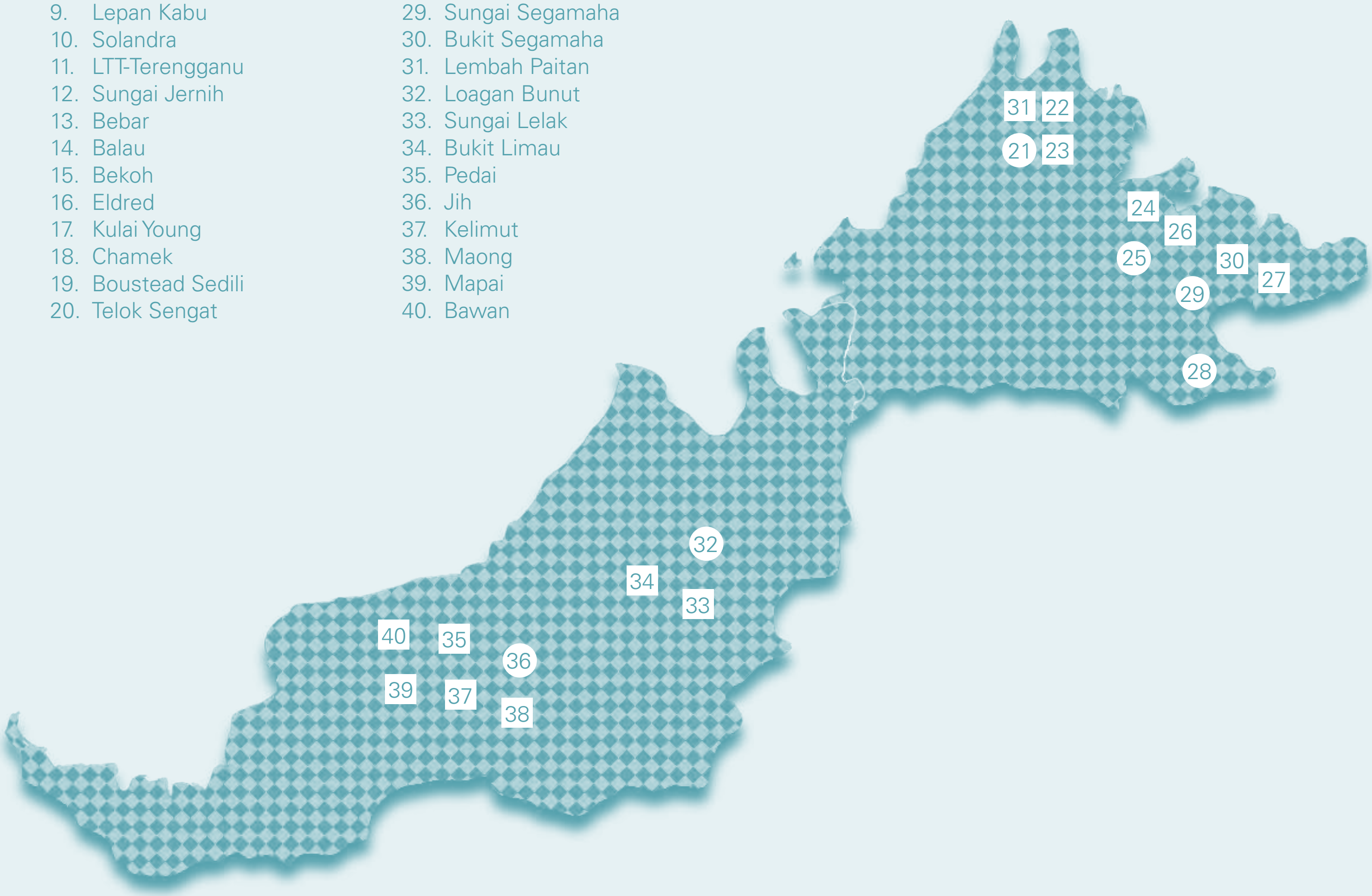
Sabah & Sarawak

21. Sungai Sungai 1
22. Sungai Sungai 2
23. Kawananan
24. Resort
25. Nak
26. Sutera
27. LTT-Sabah
28. Segaria
29. Sungai Segamaha
30. Bukit Segamaha
31. Lembah Paitan
32. Loagan Bunut
33. Sungai Lelak
34. Bukit Limau
35. Pedai
36. Jih
37. Kelimut
38. Maong
39. Mapai
40. Bawan

Legend

Estate

Estate with Palm Oil Mill



SHAREHOLDING STATISTICS

AS AT 8 FEBRUARY 2013

Size of shareholdings	No. of holders	%	No. of shares	%
Less than 100	632	4.73	13,885	0.00
100 to 1,000	1,642	12.29	1,096,781	0.11
1,001 to 10,000	8,144	60.97	29,868,049	2.89
10,001 to 100,000	2,570	19.24	69,793,523	6.75
100,001 to less than 5% of issued shares	368	2.76	297,666,006	28.78
5% and above of issued shares	1	0.01	635,739,809	61.47
Total	13,357	100.00	1,034,178,053	100.00

30 LARGEST SHAREHOLDERS AS AT 8 FEBRUARY 2013

No.	Name of shareholders	No. of shares	%
1.	LEMBAGA TABUNG ANGKATAN TENTERA	635,739,809	61.47
2.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	38,182,800	3.69
3.	SCOTIA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN*	23,724,250	2.29
4.	CARTABAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD*	9,503,520	0.92
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NOMURA)*	8,755,000	0.85
6.	CHINCHOO INVESTMENT SDN.BERHAD	7,528,164	0.73
7.	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND*	7,206,598	0.70
8.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *ICAPITAL.BIZ BERHAD*	7,197,850	0.70
9.	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)*	6,437,670	0.62
10.	YONG SIEW YOON	6,244,761	0.60
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *ING INSURANCE BERHAD (INV-IL PAR)*	5,786,558	0.56
12.	GAN TENG SIEW REALTY SDN.BERHAD	5,561,034	0.54
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD*	5,472,320	0.53
14.	HSBC NOMINEES (ASING) SDN BHD *PICTET AND CIE FOR PICTET GLOBAL SELECTION FUND GLOBAL HIGH YIELD EMERGING EQUITIES FUND*	5,178,873	0.50
15.	KEY DEVELOPMENT SDN.BERHAD	5,092,770	0.49
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)*	4,037,454	0.39

No.	Name of shareholders	No. of shares	%
17.	GEMAS BAHRU ESTATES SDN. BHD.	3,529,480	0.34
18.	BIDOR TAHAN ESTATES SDN.BHD.	3,283,300	0.32
19.	HSBC NOMINEES (ASING) SDN BHD *BNY BRUSSELS FOR WISDOMTREE EMERGING MARKETS EQUITY INCOME FUND*	3,249,297	0.32
20.	HSBC NOMINEES (ASING) SDN BHD *BNY BRUSSELS FOR WISDOMTREE EMERGING MARKETS SMALLCAP DIVIDEND FUND*	3,184,838	0.31
21.	MIKDAVID SDN BHD	3,017,430	0.29
22.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (AM INV)*	2,750,000	0.27
23.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	2,500,000	0.24
24.	RENGO MALAY ESTATE SENDIRIAN BERHAD	2,473,460	0.24
25.	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER (UNITLINKED GF)*	2,469,940	0.24
26.	CITIGROUP NOMINEES (ASING) SDN BHD *SMBC NIKKO BK (LUX) SA FOR NIKKO BNY MELLON EMERGING MARKETSMID-SMALL CAP EQUITY FUND*	2,377,500	0.23
27.	CARTABAN NOMINEES (ASING) SDN BHD *BBH (LUX) SCA FOR THE MASTER TRUST BANK OF JAPAN LTD AS TRUSTEE OF MUAM ASEAN STOCK OPEN*	2,275,600	0.22
28.	CHE LODIN BIN WOK KAMARUDDIN	2,200,000	0.21
29.	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER (LIFE PAR)*	2,142,300	0.21
30.	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED (FOREIGN)*	2,005,339	0.19
	TOTAL	819,107,915	79.21

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct interest		Indirect interest	
	No. of shares	%	No. of shares	%
Lembaga Tabung Angkatan Tentera	635,739,809	61.47	–	–

Class of shares	Ordinary shares of RM0.50 each
Voting rights	1 vote per ordinary share

STATEMENT OF DIRECTORS' INTERESTS

In the Company and Related Corporations as at 8 February 2013

Name of Director	No. of shares	Direct %
Ordinary shares of RM0.50 each		
Boustead Holdings Berhad		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	28,192,758	2.73
Datuk Azzat Kamaludin	44,000	–
Ordinary shares of RM1.00 each		
SUBSIDIARIES		
Boustead Heavy Industries Corporation Berhad		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2,000,000	0.80
Datuk Azzat Kamaludin	400,000	0.16
Dato' Ghazali Mohd Ali	75,000	0.03
Pharmaniaga Berhad		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	100,000	0.08
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,681,886	4.83
Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	55,000	0.05
Datuk Azzat Kamaludin	148,300	0.13
Dato' Ghazali Mohd Ali	65,000	0.06
Boustead Petroleum Sdn Bhd		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	5,916,465	5.00
RELATED COMPANY		
Affin Holdings Berhad		
Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)	91,708	0.01
Tan Sri Dato' Seri Lodin Wok Kamaruddin	808,714	0.05
Datuk Azzat Kamaludin	110,000	0.01
Datuk Francis Tan Leh Kiah	20,000	0.01
Redeemable preference shares of RM1.00 each		
SUBSIDIARY		
Boustead Petroleum Sdn Bhd		
Tan Sri Dato' Seri Lodin Wok Kamaruddin	50	5.00

DIVIDEND POLICY

It is the Board's intention to pay dividends to allow shareholders to participate in the profits of Boustead Holdings Berhad. The dividend policy is in line with the Board's intention to adopt a policy of active capital management where the Board endeavours to declare an interim dividend at the end of each quarter of the financial year in order that shareholders may enjoy a distribution on a regular basis. In this regard, the Company's ability to pay dividends would depend upon factors such as business prospects, expansion and growth strategies, capital requirements, cash reserves and other factors the Board may deem relevant.

Under the dividend policy, the Company intends to pay a minimum of 70% of the audited consolidated profit after taxation attributable to shareholders for each financial year after appropriate adjustments for the profit retained by Associated Companies and any unrealised income from fair value adjustments that are non-cash in nature.

The dividend policy is effective from the financial year 2011.

As the Company is an investment holding company, its income, and therefore its ability to pay dividends or make distributions to shareholders, is dependent upon the dividends and other distributions from Subsidiaries, Associated Companies and investments which in turn will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective board of directors deem relevant.

The dividend policy reflects the Board's current views on the Group's financial position and the said policy will be reviewed from time to time. In recommending dividends, it is the Board's policy to allow shareholders to participate directly in the Company's profits whilst taking into account the retention of adequate reserves for future growth.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-First Annual General Meeting of Boustead Holdings Berhad will be held at The Royale Ballroom, Level 2, The Royale Bintang Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Monday, 8 April 2013 at 9.30 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

To receive and consider the audited financial statements for the year ended 31 December 2012, and the Report of the Directors. — Resolution 1

To re-elect Datuk Azzat Kamaludin who retires by rotation and, being eligible, offers himself for re-election. — Resolution 2

To elect Datuk Francis Tan Leh Kiah who was appointed on 11 October 2012, and being eligible, offers himself for election. — Resolution 3

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

"THAT pursuant to Section 129(6) of the Companies Act, 1965, Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R) be re-appointed a Director of the Company to hold office until the next Annual General Meeting." — Resolution 4

"THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' (Dr.) Megat Abdul Rahman Megat Ahmad be re-appointed a Director of the Company to hold office until the next Annual General Meeting." — Resolution 5

To approve Directors' fees. — Resolution 6

To re-appoint Auditors and to authorise the Directors to determine their remuneration. — Resolution 7

SPECIAL BUSINESS

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

Ordinary Resolution – Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965 — Resolution 8

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

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

Resolution 9

"THAT, subject to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its Subsidiaries to enter into all transactions involving the Related Parties as specified in Section 2.3.1 of the Circular to Shareholders dated 15 March 2013 provided that such transactions are:-

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the day-to-day operations;

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(iv) are not to the detriment of the minority shareholders.

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

(i) the conclusion of the next Annual General Meeting (AGM), at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;

(ii) the expiration of the period within the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by a resolution passed by the shareholders in a General Meeting;

whichever is the earlier.

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

Ordinary Resolution – Proposed Additional Shareholders' Mandate for Recurrent Related Party Transactions Resolution 10

"THAT, subject always to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of the Bursa Malaysia Securities Berhad, the Company and its Subsidiaries shall be mandated to enter into recurrent transactions of a revenue or trading nature with the Related Party as specified in Section 2.3.2 of the Circular to Shareholders dated 15 March 2013 subject further to the following:

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

(ii) disclosure will be made of a breakdown of the aggregate value of transactions conducted pursuant to the Mandate during the financial year based on the following information in the Company's annual report and in the annual reports for subsequent financial years that the Mandate continues in force:-

  (a) the type of the recurrent related party transactions made; and
  (b) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company; and

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

  (a) the conclusion of the next Annual General Meeting (AGM) of the Company following the General Meeting at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

  (b) the expiration of the period within which the next AGM after this date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

  (c) revoked or varied by resolution passed by the shareholders in a General Meeting;

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

To transact any other ordinary business of the Company.

By Order of the Board

SHARIFAH MALEK
Secretary

Kuala Lumpur
15 March 2013

Notes

(a) Any member entitled to attend and vote may appoint up two (2) proxies, who need not be a member, to attend and vote on his or her behalf. Ordinary shareholders are being sent herewith a Form of Proxy with provision for two-way voting on the foregoing numbered resolutions. The instrument appointing a proxy must be lodged at the Registered Office or Share Registrar's Office not less than forty-eight hours before the time of the Meeting.

(b) The ordinary resolution proposed under item 8 above, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting required by law to be held, whichever is earlier. The mandate sought under item 8 above is a renewal of an existing mandate.

(c) The proposed resolution 9 and 10, 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

1. Directors who are standing for re-appointment and re-election

a) Directors standing for re-appointment under Section 129(6) of the Companies Act, 1965

(i) Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)
(ii) Dato' (Dr.) Megat Abdul Rahman Megat Ahmad

b) Director standing for re-election

Datuk Azzat Kamaludin

c) Director standing for election

Datuk Francis Tan Leh Kiah

Details of attendance of Board Meetings of Directors seeking election, re-election and re-appointment are set out on page 86 of the Annual Report.

Profile of Directors standing for re-election and re-appointment are set out on pages 74 to 77 of the annual report; while details of their interest in securities are set out on pages 106, 107 and 226 of the annual report.

2. Date, time and place of the Annual General Meeting

The Fifty-First Annual General Meeting of Boustead Holdings Berhad will be held as follows:-

Date : 8 April 2013

Time : 9.30 a.m.

Place : The Royale Ballroom, Level 2, The Royale Bintang Damansara, 2 Jalan PJU 7/3
Mutiara Damansara, 47810 Petaling Jaya, Selangor

Proxy Form

I/We ______________________________ NRIC (New)/Company No.: ______________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

being a member/members of BOUSTEAD HOLDINGS BERHAD, hereby appoint * ______________________
(INSERT FULL NAME IN BLOCK CAPITAL)

NRIC (New) No.: ________________ of ______________________________________
(FULL ADDRESS)

and/or ______________________________ NRIC (New) No.: ____________________
(INSERT FULL NAME IN BLOCK CAPITAL)

of ____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf, at the Fifty-First Annual General Meeting of the Company to be held at The Royale Ballroom, Level 2, The Royale Bintang Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Monday, 8 April 2013 at 9.30 a.m. or any adjournment thereof, to vote as indicated below:

No.	Resolution	For	Against
1.	Tabling of Directors' Report and Audited Financial Statements		
2.	Re-election of Datuk Azzat Kamaludin		
3.	Election of Datuk Francis Tan Leh Kiah		
4.	Re-appointment of Gen. Tan Sri Dato' Mohd Ghazali Hj. Che Mat (R)		
5.	Re-appointment of Dato' (Dr.) Megat Abdul Rahman Megat Ahmad		
6.	Approve Directors' fees		
7.	Re-appointment of Auditors		
8.	Approval for Directors to allot and issue shares		
9.	Renewal of Shareholders' Mandate for recurrent related party transactions		
10.	Additional Shareholders' Mandate for recurrent related party transactions		

Dated this __________ day of __________ 2013

No. of ordinary shares held:	
CDS Account No.:	
Proportion of shareholdings to be represented by proxies	First Proxy: ________% Second Proxy: ________%
Contact No.:	

____
Signature of Member/Common Seal

NOTES

1. If you wish to appoint as a proxy some person other than the Chairman of the Meeting, please insert in block letters the full name and address of the person of your choice and initial the insertion at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the Meeting in person to vote. Please indicate with an "X" in the appropriate box how you wish your vote to be cast in respect of each Resolution.
2. In the case of a Corporation, the proxy should be executed under its Common Seal or under the hand of a duly authorised officer.
3. A member shall not, subject to Paragraph 4 below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the Share Registrar's office located at 13th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
6. Only members registered in the Record of Depositors as at 29 March 2013 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

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Boustead Management Services Sdn Bhd (7059-M)

13th Floor, Menara Boustead

No. 69 Jalan Raja Chulan

50200 Kuala Lumpur, Malaysia

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