



Financial Statements

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The principal activities of the Company and its subsidiaries are property development, property investment, ownership and operating of hotels, production and supply of chill water for air conditioning and cultivation of oil palm. The principal activities of the associates are property investment and property development.

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

FINANCIAL RESULTS

| | Group RM'000 | Company RM'000 |
|-------------------------------|-----------------|-------------------|
| Net profit for the year | 100,473 | 56,652 |
| Attributable to: | | |
| Equity holders of the Company | 100,404 | 56,652 |
| Minority interests | 69 | — |
| | 100,473 | 56,652 |

In the opinion of the Directors, the results of the operations of the Group and the Company during the year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There were no material transfers to or from reserves or provisions during the year other than those disclosed in the Statement of Changes in Equity.

DIVIDENDS

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

- a final dividend of 5.0 sen per share less tax amounting to RM9,315,000 and a bonus dividend of 5.0 sen per share less tax amounting to RM9,315,000 was paid on 3 May 2007, in respect of the previous year as proposed in the Directors' Report of that year; and
- a first interim dividend of 10.0 sen per share less tax was paid on 5 October 2007, amounting to RM18,629,500 in respect of the year under review; and

DIRECTORS' REPORT

DIVIDENDS (CONT'D.)

(c) a second interim dividend of 10.0 sen per share less tax was paid on 26 December 2007, amounting to RM18,629,500 in respect of the year under review.

The Directors propose a final dividend of 10.0 sen per share less tax, amounting to RM18,885,000 making the total for the year 30.0 sen per share less tax, amounting to RM56,144,000.

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

DIRECTORS

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

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

Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin

Y. Bhg. Dato' Ghazali Mohd Ali

Tuan Hj. Johari Muhamad Abbas

Y. Bhg. Dato' Ahmad Khairummuzammil Mohd Yusoff

Tuan Hj. Halim Hj. Din

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6 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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 34 to the financial statements.

DIRECTORS' INTERESTS

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

| | At 1/1/07 | Acquired | Sold | At 31/12/07 |
|--|--------------|------------|--------------|----------------|
| Shares of 50 sen each | | | | |
| Boustead Holdings Berhad | | | | |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 10,492,800 | 24,000,000 | (12,797,800) | 21,695,000 |
| Y. Bhg. Dato' Ghazali Mohd Ali | 200,000 | — | (200,000) | — |
| Tuan Hj. Johari Muhamad Abbas | 66,666 | — | (10,000) | 56,666 |
| Shares of RM1 each | | | | |
| Boustead Properties Berhad | | | | |
| Tuan Hj. Johari Muhamad Abbas | 42,500 | — | (15,000) | 27,500 |
| Boustead Heavy Industries Corporation Berhad | | | | |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | — | 2,000,000 | — | 2,000,000 |
| Y. Bhg. Dato' Ghazali Mohd Ali | — | 100,000 | (25,000) | 75,000 |
| Boustead Petroleum Sdn Bhd | | | | |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | — | 5,466,465 | — | 5,466,465 |
| Affin Holdings Berhad | | | | |
| Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat | 91,708 | — | — | 91,708 |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 8,714 | — | — | 8,714 |
| Y. Bhg. Dato' Ghazali Mohd Ali | 51,000 | — | — | 51,000 |
| Tuan Hj. Johari Muhamad Abbas | 27,000 | — | — | 27,000 |
| Number of Units | | | | |
| Affin Holdings Berhad – Warrants (W3) | | | | |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 1,500 | — | — | 1,500 |
| Y. Bhg. Dato' Ghazali Mohd Ali | 9,000 | — | (9,000) | — |
| Tuan Hj. Johari Muhamad Abbas | 5,000 | — | — | 5,000 |

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D.)

Options over ordinary shares of RM1 each

| | At 1/1/07 | Granted | Exercised | At 31/12/07 |
|--|--------------|---------|-----------|----------------|
| Affin Holdings Berhad | | | | |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | — | 800,000 | — | 800,000 |

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

The Board of Directors of Boustead Holdings Berhad had offered Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin an option to acquire existing ordinary shares of RM1.00 each of up to five percent (5%) of the enlarged issued and paid up capital of Boustead Petroleum Sdn Bhd. The option was exercised in full on 26 December 2007.

SIGNIFICANT EVENTS

Details of the significant events during the year are disclosed in Note 32 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and 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 allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONT'D.)

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

AUDITORS

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

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

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

Kuala Lumpur
28 February 2008

TAN SRI DATO' LODIN WOK KAMARUDDIN

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

STATEMENT BY DIRECTORS

We, TAN SRI DATO' LODIN WOK KAMARUDDIN and DATO' GHAZALI MOHD ALI, being two of the Directors of BOUSTEAD PROPERTIES BERHAD do hereby state that, in the opinion of the Directors, the financial statements set out on pages 48 to 97 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2007 and of the results and the cash flows of the Group and the Company for the year then ended.

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

TAN SRI DATO' LODIN WOK KAMARUDDIN

Kuala Lumpur
28 February 2008

DATO' GHAZALI MOHD ALI

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

I, DANIEL EBINESAN, being the Officer primarily responsible for the financial management of BOUSTEAD PROPERTIES BERHAD do solemnly and sincerely declare that the financial statements set out on pages 48 to 97 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 at Kuala Lumpur, this 28th day of February 2008.

Before me
ZAINALABIDIN BIN NAN
Commissioner for Oaths
Kuala Lumpur

DANIEL EBINESAN

AUDITORS' REPORT

TO THE MEMBERS OF BOUSTEAD PROPERTIES BERHAD

We have audited the accompanying financial statements set out on pages 48 to 97. These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:

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

We have considered the financial statements and auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated on page 97, being financial statements that have been included in the consolidated financial statements.

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

The Auditors' Reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

ERNST & YOUNG

AF: 0039

Chartered Accountants

HABIBAH BTE ABDUL

1210/05/08(J)

Partner

Kuala Lumpur

28 February 2008

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | Group | | Company | |
|--|------|------------------|----------------|-----------------|----------------|
| | | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Revenue | 5 | 462,351 | 355,297 | 80,996 | 57,771 |
| Operating costs | 6 | (349,650) | (251,395) | (59,162) | (27,810) |
| Profit from operations | | 112,701 | 103,902 | 21,834 | 29,961 |
| Fair value gain on investment properties | | 13,133 | — | 3,400 | — |
| Gain on disposal of plantation assets | | — | 135,267 | — | 135,040 |
| Interest income | 7 | 2,286 | 1,596 | 27,739 | 31,068 |
| Dividend income | 8 | 12,765 | — | 44,623 | 29,000 |
| Finance cost | 9 | (6,892) | (11,536) | (17,282) | (26,166) |
| Share of results of associates | | 1,398 | (4,755) | — | — |
| Profit before taxation | | 135,391 | 224,474 | 80,314 | 198,903 |
| Taxation | 10 | (34,918) | (26,105) | (23,662) | (21,635) |
| Net profit for the year | | 100,473 | 198,369 | 56,652 | 177,268 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 100,404 | 198,546 | | |
| Minority interests | | 69 | (177) | | |
| | | 100,473 | 198,369 | | |
| Earnings per share | | | | | |
| Basic | 11 | 39.34 | 77.80 | | |
| Diluted | 11 | — | 75.21 | | |
| Gross dividend per share – sen | 12 | 30.00 | 30.00 | 30.00 | 30.00 |

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

BALANCE SHEETS

AS AT 31 DECEMBER 2007

| | Note | Group | | Company | |
|--|------|------------------|----------------|------------------|----------------|
| | | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | 238,120 | 232,072 | 5,594 | 5,746 |
| Prepaid land lease payment | 14 | 11,472 | 12,363 | — | — |
| Investment properties | 15 | 709,293 | 686,683 | 121,900 | 118,500 |
| Development properties | 16 | 190,936 | 314,488 | — | — |
| Subsidiaries | 17 | — | — | 431,044 | 431,526 |
| Associates | 18 | 11,661 | 2,743 | — | — |
| Investments | 19 | 117,006 | — | 117,006 | — |
| Deferred tax assets | 20 | 20,300 | 23,968 | — | — |
| Goodwill on consolidation | 21 | 17,065 | 4,356 | — | — |
| | | 1,315,853 | 1,276,673 | 675,544 | 555,772 |
| Current assets | | | | | |
| Inventories | 22 | 21,989 | 8,463 | 220 | 179 |
| Property development in progress | 23 | 111,225 | 64,120 | — | — |
| Receivables | 24 | 126,567 | 394,661 | 677,946 | 960,959 |
| Cash held under housing development accounts | 25 | 52,157 | 30,093 | — | — |
| Cash and bank balances | 25 | 104,386 | 74,630 | 55,744 | 3,385 |
| | | 416,324 | 571,967 | 733,910 | 964,523 |
| TOTAL ASSETS | | 1,732,177 | 1,848,640 | 1,409,454 | 1,520,295 |

BALANCE SHEETS

AS AT 31 DECEMBER 2007 (CONT'D.)

| | Note | Group | | Company | |
|---|------|------------------|----------------|------------------|----------------|
| | | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 26 | 255,199 | 255,199 | 255,199 | 255,199 |
| Non-distributable reserves | 27 | 262,643 | 262,543 | 262,643 | 262,543 |
| Retained earnings | 27 | 793,066 | 748,551 | 603,635 | 602,872 |
| Shareholders' equity | | 1,310,908 | 1,266,293 | 1,121,477 | 1,120,614 |
| Minority interests | | 4,122 | 4,053 | — | — |
| Total Equity | | 1,315,030 | 1,270,346 | 1,121,477 | 1,120,614 |
| Non-current liabilities | | | | | |
| Long term borrowings | 28 | 11,137 | 127,547 | — | 115,294 |
| Payables | 29 | 19,704 | 37,638 | 2,612 | 20,238 |
| Deferred taxation | 20 | 18,338 | 16,480 | 8,532 | 7,622 |
| | | 49,179 | 181,665 | 11,144 | 143,154 |
| Current liabilities | | | | | |
| Borrowings | 30 | 149,401 | 255,776 | 115,294 | 110,000 |
| Payables | 29 | 211,611 | 131,677 | 156,557 | 143,867 |
| Taxation | | 6,956 | 9,176 | 4,982 | 2,660 |
| | | 367,968 | 396,629 | 276,833 | 256,527 |
| Total Liabilities | | 417,147 | 578,294 | 287,977 | 399,681 |
| TOTAL EQUITY AND LIABILITIES | | 1,732,177 | 1,848,640 | 1,409,454 | 1,520,295 |

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

| | Attributable to Equity Holders of the Company | | | | Minority Interest RM'000 | Total Equity RM'000 |
|--|---|---|-----------------------------|-----------------|-----------------------------|------------------------|
| | Share Capital RM'000 | Non-Distributable Reserves (Note 27) RM'000 | Retained Earnings RM'000 | Total RM'000 | | |
| GROUP – 2007 | | | | | | |
| At 1 January 2007 | 255,199 | 262,543 | 748,551 | 1,266,293 | 4,053 | 1,270,346 |
| Net profit for the year | — | — | 100,404 | 100,404 | 69 | 100,473 |
| Writeback of deferred tax provision | — | 100 | — | 100 | — | 100 |
| Net gains not recognised in the income statement | — | 100 | — | 100 | — | 100 |
| Dividends | | | | | | |
| – Final of the previous year | — | — | (18,630) | (18,630) | — | (18,630) |
| – Interim of the current year | — | — | (37,259) | (37,259) | — | (37,259) |
| At 31 December 2007 | 255,199 | 262,643 | 793,066 | 1,310,908 | 4,122 | 1,315,030 |
| GROUP – 2006 | | | | | | |
| At 1 January 2006 | | | | | | |
| As previously stated | 255,199 | 319,140 | 485,044 | 1,059,383 | 4,230 | 1,063,613 |
| Effects of adopting FRS 140 | — | (4,660) | 65,387 | 60,727 | — | 60,727 |
| As restated | 255,199 | 314,480 | 550,431 | 1,120,110 | 4,230 | 1,124,340 |
| Net profit for the year | — | — | 198,546 | 198,546 | (177) | 198,369 |
| Writeback of deferred tax provision | — | 3,015 | — | 3,015 | — | 3,015 |
| Net gains not recognised in the income statement | — | 3,015 | — | 3,015 | — | 3,015 |
| Reserve realised during the year | — | (54,952) | 54,952 | — | — | — |
| Dividends | | | | | | |
| – Final of the previous year | — | — | (18,374) | (18,374) | — | (18,374) |
| – Interim of the current year | — | — | (37,004) | (37,004) | — | (37,004) |
| At 31 December 2006 | 255,199 | 262,543 | 748,551 | 1,266,293 | 4,053 | 1,270,346 |

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT'D.)

| | Share Capital RM'000 | *Share Premium RM'000 | *Revaluation Reserve RM'000 | *Redeemable Convertible Bonds RM'000 | Retained Earnings RM'000 | Total Equity RM'000 |
|---|----------------------------|-----------------------------|-----------------------------------|---|--------------------------------|---------------------------|
| COMPANY – 2007 | | | | | | |
| At 1 January 2007 | 255,199 | 257,255 | 1,900 | 3,388 | 602,872 | 1,120,614 |
| Net profit for the year | — | — | — | — | 56,652 | 56,652 |
| Writeback of deferred tax provision | — | — | 100 | — | — | 100 |
| Net gains not recognised in the income statement | — | — | 100 | — | — | 100 |
| Dividends | | | | | | |
| – Final of the previous year | — | — | — | — | (18,630) | (18,630) |
| – Interim of the current year | — | — | — | — | (37,259) | (37,259) |
| At 31 December 2007 | 255,199 | 257,255 | 2,000 | 3,388 | 603,635 | 1,121,477 |
| COMPANY – 2006 | | | | | | |
| At 1 January 2006 | | | | | | |
| As previously stated | 255,199 | 257,255 | 62,611 | 3,388 | 407,279 | 985,732 |
| Effects of adopting FRS 140 | — | — | (3,552) | — | 13,529 | 9,977 |
| As restated | 255,199 | 257,255 | 59,059 | 3,388 | 420,808 | 995,709 |
| Net profit for the year | — | — | — | — | 177,268 | 177,268 |
| Writeback of deferred tax provision | — | — | 3,015 | — | — | 3,015 |
| Net gains not recognised in the income statement | — | — | 3,015 | — | — | 3,015 |
| Reserve realised during the year | — | — | (60,174) | — | 60,174 | — |
| Dividends | | | | | | |
| – Final of the previous year | — | — | — | — | (18,374) | (18,374) |
| – Interim of the current year | — | — | — | — | (37,004) | (37,004) |
| At 31 December 2006 | 255,199 | 257,255 | 1,900 | 3,388 | 602,872 | 1,120,614 |

* Denotes non-distributable reserves

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Operating Activities | | | | |
| Cash receipts from customers | 697,945 | 510,008 | 80,619 | 57,633 |
| Cash paid to suppliers and employees | (367,622) | (328,322) | (44,947) | (22,651) |
| Cash generated from operations | 330,323 | 181,686 | 35,672 | 34,982 |
| Taxation paid | (31,512) | (27,095) | (20,330) | (19,327) |
| Interest paid | (16,279) | (23,398) | (17,282) | (26,166) |
| Net cash from/(used in) operating activities | 282,532 | 131,193 | (1,940) | (10,511) |
| Investing Activities | | | | |
| Acquisition of Subsidiary | (15,910) | — | — | — |
| Additional investment in Associate | (6,060) | — | — | — |
| Property development activities | (34,631) | (40,076) | — | — |
| Purchase of property, plant and equipment | (15,538) | (25,571) | (602) | (724) |
| Payment of investment properties | (9,477) | (35,085) | — | — |
| Proceeds from disposal of property, plant and equipment | 137,696 | 805 | 135,744 | 800 |
| Dividends received | 4,318 | — | 36,176 | 29,000 |
| Interest received | 2,286 | 1,596 | 27,739 | 31,068 |
| Net cash from/(used in) investing activities | 62,684 | (98,331) | 199,057 | 60,144 |

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT'D.)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Financing Activities | | | | |
| Dividends paid to shareholders | (74,518) | (50,529) | (74,518) | (50,529) |
| Drawdown of term loan | 2,165 | — | — | — |
| Drawdown of revolving credit facilities | — | 140,000 | — | — |
| Repayment of Islamic Bonds | (60,000) | (60,000) | (60,000) | (60,000) |
| Repayment of revolving credit facilities | (160,000) | (60,000) | (50,000) | (60,000) |
| Repayment of bankers' acceptance | (114) | (232) | — | — |
| Repayment of term loan | (3,281) | (2,625) | — | — |
| Receipts from/(payments to) group companies | 3,906 | (3,315) | 39,760 | 111,626 |
| Net cash used in financing activities | (291,842) | (36,701) | (144,758) | (58,903) |
| Net increase/(decrease) in cash and cash equivalents | 53,374 | (3,839) | 52,359 | (9,270) |
| Cash and cash equivalents at beginning of year | 101,687 | 105,526 | 3,385 | 12,655 |
| Cash and Cash Equivalents at End of Year (Note 25) | 155,061 | 101,687 | 55,744 | 3,385 |

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 are prepared under the historical cost convention, unless indicated in the accounting policies below and comply with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards (FRSs) which are mandatory for financial periods beginning on or after 1 January 2007 and those that are relevant to the Group and the Company as described fully in Note 3 to the financial statements.

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

(b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the audited financial statements of the Company and its Subsidiaries made up to the end of the year. Subsidiaries are companies in which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity. Details of Subsidiaries are given on pages 96 to 97.

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

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

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

(c) ASSOCIATES

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies. Details of the Associates are given on page 97.

ACCOUNTING POLICIES

(c) ASSOCIATES (CONT'D.)

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

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

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

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

(d) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

(e) INVESTMENT PROPERTIES

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is determined by the Directors with reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in the profit or loss in the year in which they arise.

(e) INVESTMENT PROPERTIES (CONT'D.)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year in which they arise.

(f) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

All property, plant and equipment are initially stated at cost. Certain land are subsequently shown at market value, based on external independent valuations, less impairment losses. All other property, plant and equipment are stated at historical cost less accumulated 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 depreciation. The valuations were determined by independent professional valuers on the open market basis and no later valuations were recorded.

Freehold land is not amortised. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over the following estimated useful lives:

| | |
|-----------------------|---------------|
| Hotel buildings | 80 years |
| Other buildings | 20 – 50 years |
| Plant & machinery | 5 – 10 years |
| Furniture & equipment | 3 – 10 years |
| Motor vehicles | 5 years |

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

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

(g) INVESTMENTS

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

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

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

ACCOUNTING POLICIES

(h) DEVELOPMENT PROPERTIES

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

(i) INVENTORIES AND PROPERTY DEVELOPMENT IN PROGRESS

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

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

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

(j) REVENUE RECOGNITION

Revenue from the sale of produce stock, merchandise and services is recognised when the goods and services are delivered. Revenue from property development and other long term contracts is recognised on the percentage of completion method by reference to the percentage of actual construction work completed to estimated total property development costs. Hotel operations revenue comprise rental of hotel rooms and sales of food and beverages, and are recognised on an accrual basis. Rental income represents the invoiced value derived from the letting of properties.

Dividends from subsidiaries, associates and other investee companies are recognised in the income statements when the Group's right to receive payment is established. Interest income is recognised as it accrues unless collection is doubtful.

Sales and other revenue earned from intra-group companies are eliminated on consolidation and the revenue of the associates is excluded from Group revenue.

(k) INCOME TAX

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

(k) INCOME TAX (CONT'D.)

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

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

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

(l) CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statements, cash and cash equivalents include deposits held at call with banks and cash and bank balances, net of outstanding overdrafts.

(m) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

ACCOUNTING POLICIES

(n) LEASES

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

(i) Operating lease – the Group as a lessee

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

(ii) Lease of land and building

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

The lump-sum upfront lease payments made represent prepaid lease payments and are amortised over the lease term which range from 55 to 999 years, on a straight-line basis except for leasehold land that is classified as an investment property or an asset held under property development.

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

(o) GOODWILL

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

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

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

(p) SEGMENTAL REPORTING

The reporting segment information is in respect of business segments as the Group's risks and returns are affected predominantly by the differences in the products and services it produces. The secondary reporting segment information is in respect of geographical segments based on the country in which customers are located. Currently, the Group operates principally in Malaysia.

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

(q) FINANCIAL INSTRUMENTS

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

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

(i) Borrowings

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

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

(ii) Trade Receivables

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

(iii) Payables and Provisions

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

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

ACCOUNTING POLICIES

(q) FINANCIAL INSTRUMENTS (CONT'D.)

(iv) Equity Instruments

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(r) REDEEMABLE CONVERTIBLE BONDS

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

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible bond to the instrument.

(s) EMPLOYEE BENEFITS

Short term benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. As required by law, the Group makes contributions to the Employees Provident Fund and such contributions are expensed in the income statement as and when incurred. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

NOTES TO THE FINANCIAL STATEMENTS

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

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

Liquidity and cash flow risk

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

Credit risk

Credit risk largely represents the loss that would be recognised if purchasers and tenants fail to pay as contracted.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new tenants, whilst possession and titles to properties are withheld until full payment is made by purchasers.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to the credit risk for the Group and Company are represented by the carrying amount of each financial asset.

Fair values

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

The fair values of the non-current quoted investments are represented by their market values as disclosed in Note 19 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

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

Fair values (Cont'd.)

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

2. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements are authorised by the Board of Directors for issue in accordance with a resolution of the Directors dated 28 February 2008.

3. CHANGES IN ACCOUNTING POLICIES

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

| | |
|---------|---------------------------|
| FRS 117 | Leases |
| FRS 124 | Related party disclosures |

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

(a) Adoption of FRS117: Leases

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

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

The reclassifications have been accounted for retrospectively. Accordingly, certain comparatives have been restated as disclosed in Note 3(c). There is no financial impact on the income statement of the Group and of the Company.

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

(b) Effect on balance sheet as at 31 December 2007

| Increase/(Decrease) | Group RM'000 |
|-------------------------------|-----------------|
| Property, plant and equipment | (11,472) |
| Prepaid land lease payment | 11,472 |

(c) Restatement of comparatives

| | Previously stated RM'000 | Increase/ (Decrease) RM'000 | Restated RM'000 |
|-------------------------------|--------------------------------|-----------------------------------|--------------------|
| Group | | | |
| Property, plant and equipment | 244,435 | (12,363) | 232,072 |
| Prepaid land lease payment | — | 12,363 | 12,363 |

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgements Made in Applying Accounting Policies

The following are judgements made by Management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

(i) Classification between Investment Properties and Property, Plant and Equipment

The Group has developed certain criteria based on FRS 140 in making judgements whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Critical Judgements Made in Applying Accounting Policies (Cont'd.)

(i) Classification between Investment Properties and Property, Plant and Equipment (Cont'd.)

The Group has several properties sub-let but has decided not to treat these properties as investment property because it is not the Group's intention to hold these properties in the long-term for capital appreciation or rental income. Accordingly, these properties are still classified as property, plant and equipment.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units (CGU) to which goodwill is allocated. Estimating a value-in-use amount requires Management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cashflows. The carrying amount of goodwill as at 31 December 2007 was RM17.1 million (2006: RM4.4 million).

(ii) Property development

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

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

(iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and investment tax allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances 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. The total carrying value of recognised tax losses, capital allowances and investment tax allowances of the Group was RM42.3 million (2006: RM42.3 million) and the unrecognised tax losses, capital allowances and investment tax allowances of the Group was RM6.5 million (2006: RM10.1 million).

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

(b) Key Sources of Estimation Uncertainty (Cont'd.)

(iv) 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 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.

(v) Impairment of property, plant and equipment

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

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

5. REVENUE

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Sale of development properties | 284,394 | 213,652 | — | — |
| Rental income – investment properties | 63,592 | 56,962 | 9,636 | 9,636 |
| – others | 3,548 | 2,405 | — | — |
| Sale of produce | 71,360 | 48,135 | 71,360 | 48,135 |
| Hotel revenue | 39,457 | 32,104 | — | — |
| Sale of apparel | — | 2,039 | — | — |
| | 462,351 | 355,297 | 80,996 | 57,771 |

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING COSTS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Changes in inventories of finished goods and work in progress | — | 1,607 | — | — |
| Finished goods and work in progress | 211,483 | 147,543 | — | — |
| Raw material and consumables used | 17,064 | 16,452 | 13,819 | 13,613 |
| Staff costs | 31,278 | 28,933 | 11,460 | 11,294 |
| Depreciation | 8,745 | 8,564 | 754 | 973 |
| Amortisation of prepaid land lease payment | 189 | 191 | — | — |
| Gain on disposal of property, plant and equipment | (464) | (478) | — | (564) |
| Liquidated ascertained damages income | (6,577) | — | — | — |
| Liquidated ascertained damages expense | 2,815 | — | — | — |
| Sundry income | (5,998) | (3,476) | (5,166) | (1,422) |
| Other operating costs | 91,115 | 52,059 | 38,295 | 3,916 |
| | 349,650 | 251,395 | 59,162 | 27,810 |
| Other operating costs include: | | | | |
| Rent paid – plantation assets | 31,118 | — | 31,118 | — |
| Auditors' remuneration – current | 297 | 263 | 70 | 55 |
| – under provision in prior year | 59 | 41 | 15 | — |
| Directors' fees | 110 | 135 | 110 | 135 |
| Directors' remuneration – emoluments | 824 | 804 | — | — |
| – benefits | 45 | 77 | 14 | 16 |
| Allowance/(Writeback) for doubtful debts | 1,512 | (986) | — | — |
| Impairment of goodwill | 2,172 | 2,178 | — | — |
| Impairment loss on investment in a subsidiary | — | — | 482 | — |

6. OPERATING COSTS (CONT'D.)

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

| | Number of Directors | |
|-----------------------------|---------------------|-------------------------|
| | Executive Directors | Non-executive Directors |
| RM50,000 and below | — | 4 |
| From RM800,000 to RM850,000 | 1 | — |

7. INTEREST INCOME

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Interest income – Subsidiaries | — | — | 27,002 | 31,002 |
| – Associates | 868 | 1,235 | — | — |
| – Others | 1,418 | 361 | 737 | 66 |
| | 2,286 | 1,596 | 27,739 | 31,068 |

8. DIVIDEND INCOME

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Gross dividends – Subsidiaries | — | — | 31,858 | 29,000 |
| – Quoted investment | 12,765 | — | 12,765 | — |
| | 12,765 | — | 44,623 | 29,000 |

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCE COST

| | Group | | Company | |
|--------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Subsidiaries | — | — | 4,036 | 3,861 |
| Others | 6,892 | 11,536 | 13,246 | 22,305 |
| | 6,892 | 11,536 | 17,282 | 26,166 |

10. TAXATION

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Current income tax: | | | | |
| Malaysian income tax | 34,338 | 27,452 | 22,621 | 21,054 |
| (Over)/under provision in prior year | (5,046) | (4,631) | 31 | (4,556) |
| | 29,292 | 22,821 | 22,652 | 16,498 |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | (926) | (1,402) | 119 | 305 |
| Reversal of deferred tax arising from exemption of RPGT | (1,091) | — | — | — |
| Relating to changes in tax rate | 430 | — | (579) | — |
| Under provision in prior year | 7,213 | 4,686 | 1,470 | 4,832 |
| | 5,626 | 3,284 | 1,010 | 5,137 |
| Tax expense for the year | 34,918 | 26,105 | 23,662 | 21,635 |

Domestic income tax rate is calculated at the Malaysian statutory rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory rates will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

10. TAXATION (CONT'D.)

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

| | 2007 RM'000 | 2006 RM'000 |
|--|----------------|----------------|
| Group | | |
| Profit before taxation | 135,391 | 224,474 |
| Taxation at statutory rate of 27% (2006: 28%) | 36,555 | 62,852 |
| Effect of changes in tax rates on deferred tax | 430 | — |
| Income not subject to tax | (3,683) | (36,046) |
| Expenses not deductible for tax purposes | 4,131 | 3,800 |
| Deferred tax assets of prior year not recognised, now recognised | (3,591) | (5,502) |
| Deferred tax assets not recognised during the year | — | 946 |
| Reversal of deferred tax arising from exemption of RPGT | (1,091) | — |
| Underprovided in prior years | 2,167 | 55 |
| Tax expense for the year | 34,918 | 26,105 |
| Company | | |
| Profit before taxation | 80,314 | 198,903 |
| Taxation at statutory rate of 27% (2006: 28%) | 21,685 | 55,693 |
| Effect of changes in tax rates on deferred tax | (579) | — |
| Income not subject to tax | (808) | (36,075) |
| Expenses not deductible for tax purposes | 1,863 | 1,741 |
| Underprovided in prior years | 1,501 | 276 |
| Tax expense for the year | 23,662 | 21,635 |

11. EARNINGS PER SHARE**Basic earnings per share**

Earnings per share are calculated on the net profit for the year attributable to equity holders of the Company of RM100,404,000 (2006: RM198,546,000) based on the number of ordinary shares in issue during the year of 255,199,000 (2006: 255,199,000).

Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity holders of the Company and the number of ordinary shares in issue during the financial year have been adjusted for the effects of dilutive potential ordinary shares from conversion of the Redeemable Convertible Bonds (RCBs).

NOTES TO THE FINANCIAL STATEMENTS

11. EARNINGS PER SHARE (CONT'D.)

Diluted earnings per share (Cont'd.)

| | 2006 |
|---|---------|
| Net profit for the year attributable to equity holders of the Company (RM'000) | 198,546 |
| Adjustment for after-tax effects of interest on RCBs (RM'000) | 7,962 |
| Adjusted net profit for the year attributable to equity holders of the Company (RM'000) | 206,508 |
| Number of ordinary shares in issue ('000) | 255,199 |
| Adjustment for assumed conversion of RCBs ('000) | 19,370 |
| Adjusted number of ordinary shares in issue and issuable ('000) | 274,569 |
| Diluted earnings per share (sen) | 75.21 |

Diluted earnings per share for the current year are not presented as the effect of the assumed conversion of the Redeemable Convertible Bonds during the financial year was anti-dilutive.

12. DIVIDENDS

| | Amount | | Gross dividends per ordinary share | |
|--|----------------|----------------|------------------------------------|-------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 Sen | 2006 Sen |
| Interim: | | | | |
| First interim of 10.0 sen (2006: 10.0 sen) less tax paid on 5 October 2007 | 18,630 | 18,374 | 10.00 | 10.00 |
| Second interim of 10.0 sen (2006: 10.0 sen) less tax paid on 26 December 2007 | 18,629 | 18,630 | 10.00 | 10.00 |
| | 37,259 | 37,004 | 20.00 | 20.00 |
| Proposed: | | | | |
| Final of 10.0 sen (2006: 5.0 sen) less tax payable on 12 May 2008 | 18,885 | 9,315 | 10.00 | 5.00 |
| Bonus of 5.0 sen for 2006 paid on 3 May 2007 | — | 9,315 | — | 5.00 |
| | 56,144 | 55,634 | 30.00 | 30.00 |

The Directors will propose at the forthcoming Annual General Meeting to be held on 3 April 2008, a final dividend of 10.0 sen per share less tax, amounting to RM18,885,000. These financial statements do not reflect the final dividend which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2008 when approved by shareholders.

13. (I) PROPERTY, PLANT AND EQUIPMENT – GROUP

| | Freehold Property RM'000 | Long Leasehold Property RM'000 | Short Leasehold Property RM'000 | Plant and Equipment RM'000 | Total RM'000 |
|--|--------------------------|--------------------------------|---------------------------------|----------------------------|----------------|
| At 31 December 2007 | | | | | |
| Cost or valuation | | | | | |
| At beginning of year | | | | | |
| As previously stated | 165,400 | 20,781 | 8,733 | 85,546 | 280,460 |
| Transfer to prepaid land lease payment | — | (13,668) | (857) | — | (14,525) |
| As restated | 165,400 | 7,113 | 7,876 | 85,546 | 265,935 |
| Additions | 661 | — | — | 14,877 | 15,538 |
| Disposals | — | (1,215) | — | (1,600) | (2,815) |
| Transfer from a related company | — | — | — | 40 | 40 |
| At end of year | 166,061 | 5,898 | 7,876 | 98,863 | 278,698 |
| Accumulated depreciation | | | | | |
| At beginning of year | | | | | |
| As previously stated | 2,559 | 3,802 | 2,662 | 27,002 | 36,025 |
| Transfer to prepaid land lease payment | — | (2,001) | (161) | — | (2,162) |
| As restated | 2,559 | 1,801 | 2,501 | 27,002 | 33,863 |
| Charge for the year | 2,238 | 149 | 170 | 6,188 | 8,745 |
| Disposals | — | (436) | — | (1,594) | (2,030) |
| At end of year | 4,797 | 1,514 | 2,671 | 31,596 | 40,578 |
| Net book value at 31.12.2007 | 161,264 | 4,384 | 5,205 | 67,267 | 238,120 |
| At 31 December 2006 | | | | | |
| Cost or valuation | | | | | |
| At beginning of year | | | | | |
| As previously stated | 170,592 | 20,781 | 8,733 | 71,481 | 271,587 |
| Transfer to biological assets | (25,845) | — | — | — | (25,845) |
| Transfer to prepaid land lease payment | — | (13,668) | (857) | — | (14,525) |
| Transfer from Investment Properties | 144,747 | 7,113 | 7,876 | 71,481 | 231,217 |
| | 102,692 | — | — | — | 102,692 |
| As restated | 247,439 | 7,113 | 7,876 | 71,481 | 333,909 |
| Additions | 7,642 | — | — | 17,929 | 25,571 |
| Disposals | (93,050) | — | — | (444) | (93,494) |
| Transfer to a related company | — | — | — | (51) | (51) |
| Reclassification | 3,369 | — | — | (3,369) | — |
| At end of year | 165,400 | 7,113 | 7,876 | 85,546 | 265,935 |
| Accumulated depreciation | | | | | |
| At beginning of year | 1,305 | 3,473 | 2,478 | 21,594 | 28,850 |
| Transfer to prepaid land lease payment | — | (1,824) | (147) | — | (1,971) |
| As restated | 1,305 | 1,649 | 2,331 | 21,594 | 26,879 |
| Charge for the year | 2,430 | 152 | 170 | 5,812 | 8,564 |
| Disposals | (1,176) | — | — | (353) | (1,529) |
| Transfer to a related company | — | — | — | (51) | (51) |
| At end of year | 2,559 | 1,801 | 2,501 | 27,002 | 33,863 |
| Net book value at 31.12.2006 | 162,841 | 5,312 | 5,375 | 58,544 | 232,072 |

NOTES TO THE FINANCIAL STATEMENTS

13. (II) PROPERTY, PLANT AND EQUIPMENT – COMPANY

| | Freehold Property RM'000 | Plant and Equipment RM'000 | Total RM'000 |
|-------------------------------------|--------------------------------|----------------------------------|-----------------|
| At 31 December 2007 | | | |
| Cost or valuation | | | |
| At beginning of year | 3,664 | 9,196 | 12,860 |
| Additions | — | 602 | 602 |
| At end of year | 3,664 | 9,798 | 13,462 |
| Accumulated depreciation | | | |
| At beginning of year | — | 7,114 | 7,114 |
| Charge for the year | — | 754 | 754 |
| At end of year | — | 7,868 | 7,868 |
| Net book value at 31.12.2007 | 3,664 | 1,930 | 5,594 |
| At 31 December 2006 | | | |
| Cost or valuation | | | |
| At beginning of year | | | |
| As previously stated | 122,687 | 8,790 | 131,477 |
| Transfer to biological assets | (25,845) | — | (25,845) |
| As restated | 96,842 | 8,790 | 105,632 |
| Additions | 99 | 625 | 724 |
| Disposals | (93,277) | (168) | (93,445) |
| Transfer to a related company | — | (51) | (51) |
| At end of year | 3,664 | 9,196 | 12,860 |
| Accumulated depreciation | | | |
| At beginning of year | 989 | 6,547 | 7,536 |
| Charge for the year | 187 | 786 | 973 |
| Disposals | (1,176) | (168) | (1,344) |
| Transfer to a related company | — | (51) | (51) |
| At end of year | — | 7,114 | 7,114 |
| Net book value at 31.12.2006 | 3,664 | 2,082 | 5,746 |

**13.(III) PROPERTY, PLANT AND EQUIPMENT
– ANALYSIS OF COST OR VALUATION**

| | Group | | Company | |
|------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Cost | 275,034 | 262,271 | 9,798 | 9,196 |
| Valuation – 1992 | 3,664 | 3,664 | 3,664 | 3,664 |
| | 278,698 | 265,935 | 13,462 | 12,860 |

The freehold land was revalued by the Directors in 1992 based on independent professional valuations using the open market value basis. As allowed by the transitional provisions of International Accounting Standard No. 16 (Revised): Property, Plant and Equipment issued by the Malaysian Accounting Standards Board, these assets have continued to be stated on the basis of their previous valuations.

**13.(IV) PROPERTY, PLANT AND EQUIPMENT
– ANALYSIS OF NET BOOK VALUE OF PROPERTIES**

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Freehold property – land | 18,890 | 18,890 | 3,664 | 3,664 |
| – building | 142,374 | 143,951 | — | — |
| Long leasehold property – building | 4,384 | 5,312 | — | — |
| Short leasehold property – building | 5,205 | 5,375 | — | — |
| | 170,853 | 173,528 | 3,664 | 3,664 |

NOTES TO THE FINANCIAL STATEMENTS

13.(V) PROPERTY, PLANT AND EQUIPMENT – HISTORICAL NET BOOK VALUES

The net book values of revalued property, plant and equipment that would have been included in the financial statements, had these assets been carried at cost less depreciation and impairment losses, are as follows:

| | Group and Company | |
|-------------------|-------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Freehold property | 1,665 | 1,665 |

14. PREPAID LAND LEASE PAYMENT

| | Group | |
|---------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| At 1 January | 12,363 | 12,554 |
| Amortisation for the year | (189) | (191) |
| Disposals | (702) | — |
| At 31 December | 11,472 | 12,363 |
| Analysed as: | | |
| Long leasehold land | 10,789 | 11,666 |
| Short leasehold land | 683 | 697 |
| | 11,472 | 12,363 |

15. INVESTMENT PROPERTIES

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| At 1 January | 686,683 | 651,598 | 118,500 | 118,500 |
| Fair value gain | 13,133 | — | 3,400 | — |
| Additions from subsequent expenditure | 9,477 | 35,085 | — | — |
| At 31 December | 709,293 | 686,683 | 121,900 | 118,500 |

Investment properties were revalued by the Directors in 2007 based on independent professional valuations using the open market value basis.

16. DEVELOPMENT PROPERTIES

| | Group | |
|--|------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Costs at 1 January: | | |
| Freehold land | 63,497 | 78,503 |
| Long leasehold land | 25,386 | 26,317 |
| Development costs | 225,605 | 231,962 |
| | 314,488 | 336,782 |
| Development costs incurred during the year | 34,631 | 40,076 |
| Transfer to property development in progress: | | |
| Freehold land | (34,020) | (15,006) |
| Long leasehold land | (17,672) | (931) |
| Development costs | (106,491) | (46,433) |
| | (158,183) | (62,370) |
| At 31 December | 190,936 | 314,488 |
| Included in development costs incurred during the financial year is: | | |
| Interest expense | | |
| – Bank and overdraft interest | 1,560 | 5,732 |

Development properties comprise land banks which are in the process of being prepared for development but have not been launched for sale.

17. SUBSIDIARIES

| | Company | |
|-------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Unquoted shares at cost | 439,526 | 439,526 |
| Less: Impairment loss | (8,482) | (8,000) |
| | 431,044 | 431,526 |

NOTES TO THE FINANCIAL STATEMENTS

17. SUBSIDIARIES (CONT'D.)

The fair value of assets acquired and liabilities assumed from the acquisition of a Subsidiary during the year are as follows:

| | 2007 RM'000 |
|--|----------------|
| Net assets acquired: | |
| Investment in associate | (1,459) |
| Current liabilities | 430 |
| Goodwill on consolidation | (14,881) |
| Total purchase consideration/cash outflow of acquisition | (15,910) |

18. ASSOCIATES

| | Group | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Unquoted shares at cost | 16,019 | 8,500 |
| Share of post acquisition reserves | (4,358) | (5,757) |
| Share of net tangible assets | 11,661 | 2,743 |
| The summarised financial information of the associates are as follows: | | |
| Assets and Liabilities | | |
| Total assets | 166,602 | 116,220 |
| Total liabilities | 133,576 | 110,789 |
| Results | | |
| Revenue | 7,218 | 1,615 |
| Profit/(loss) for the year | 2,477 | (9,509) |

19. INVESTMENTS

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Shares quoted in Malaysia, at cost | 117,006 | — | 117,006 | — |
| Market value of quoted shares | 164,978 | — | 164,978 | — |

20. DEFERRED TAX

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| At 1 January | 7,488 | 7,757 | (7,622) | (5,500) |
| Recognised in the income statement (Note 10) | (5,626) | (3,284) | (1,010) | (5,137) |
| Writeback of deferred tax | 100 | 3,015 | 100 | 3,015 |
| At 31 December | 1,962 | 7,488 | (8,532) | (7,622) |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax liabilities | (18,338) | (16,480) | (8,532) | (7,622) |
| Deferred tax assets | 20,300 | 23,968 | — | — |
| | 1,962 | 7,488 | (8,532) | (7,622) |

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

| | Capital Allowance RM'000 | Revaluation of Investment Properties RM'000 | Interest Capitalised RM'000 | Redeemable Convertible Bonds RM'000 | Total RM'000 |
|---|-----------------------------|--|--------------------------------|--|-----------------|
| Deferred Tax Liabilities of the Group: | | | | | |
| At 1 January 2007 | (23,567) | (2,933) | (7,036) | (1,318) | (34,854) |
| Recognised in income statement | (3,837) | (258) | (1,474) | — | (5,569) |
| Writeback of deferred tax | — | 100 | — | — | 100 |
| At 31 December 2007 | (27,404) | (3,091) | (8,510) | (1,318) | (40,323) |
| At 1 January 2006 | | | | | |
| As previously stated | (13,508) | (4,719) | (6,173) | (1,318) | (25,718) |
| Effects of adopting FRS 140 | — | (1,229) | — | — | (1,229) |
| As restated | (13,508) | (5,948) | (6,173) | (1,318) | (26,947) |
| Recognised in income statement | (10,059) | — | (863) | — | (10,922) |
| Writeback of deferred tax | — | 3,015 | — | — | 3,015 |
| At 31 December 2006 | (23,567) | (2,933) | (7,036) | (1,318) | (34,854) |

NOTES TO THE FINANCIAL STATEMENTS

20. DEFERRED TAX (CONT'D.)

| | Investment Tax Allowance RM'000 | Tax Losses RM'000 | Unabsorbed Capital Allowance RM'000 | Total RM'000 |
|--|--|-------------------------|--|-----------------|
| Deferred Tax Assets of the Group: | | | | |
| At 1 January 2007 | 8,682 | 16,351 | 17,309 | 42,342 |
| Recognised in the income statement | 1,299 | (3,063) | 1,707 | (57) |
| At 31 December 2007 | 9,981 | 13,288 | 19,016 | 42,285 |
| At 1 January 2006 | — | 11,167 | 23,537 | 34,704 |
| Recognised in the income statement | 8,682 | 5,184 | (6,228) | 7,638 |
| At 31 December 2006 | 8,682 | 16,351 | 17,309 | 42,342 |

| | Capital Allowance RM'000 | Revaluation of Investment Properties RM'000 | Redeemable Convertible Bonds RM'000 | Total RM'000 |
|---|--------------------------------|--|--|-----------------|
| Deferred Tax Liabilities of the Company: | | | | |
| At 1 January 2007 | (5,499) | (805) | (1,318) | (7,622) |
| Recognised in the income statement | 389 | (1,399) | — | (1,010) |
| Writeback of deferred tax | — | 100 | — | 100 |
| At 31 December 2007 | (5,110) | (2,104) | (1,318) | (8,532) |
| At 1 January 2006 | (362) | (3,296) | (1,318) | (4,976) |
| As previously stated | — | (524) | — | (524) |
| Effects of adopting FRS 140 | — | — | — | — |
| As restated | (362) | (3,820) | (1,318) | (5,500) |
| Recognised in the income statement | (5,137) | — | — | (5,137) |
| Writeback of deferred tax | — | 3,015 | — | 3,015 |
| At 31 December 2006 | (5,499) | (805) | (1,318) | (7,622) |

20. DEFERRED TAX (CONT'D.)

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

| | Group | |
|--------------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Unused tax losses | 576 | 2,174 |
| Unabsorbed capital allowances | 12 | 12 |
| Unabsorbed investment tax allowances | 5,875 | 7,868 |
| At 31 December | 6,463 | 10,054 |

The availability of the unused tax losses, unabsorbed capital allowances and unabsorbed investment tax allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholding of those subsidiaries under Section 44(5A) and (5B) of the Income Tax Act, 1967. Deferred tax assets have not been recognised in respect of these items because it is not probable that they may be used to offset taxable profits of other subsidiaries in the Group.

21. GOODWILL ON CONSOLIDATION

| | Group | |
|-----------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| At beginning of year | 4,356 | 6,534 |
| Acquisition of a subsidiary | 14,881 | — |
| Impairment loss | (2,172) | (2,178) |
| At end of year | 17,065 | 4,356 |

An impairment loss of RM2.2 million was recognised in the income statement based on the value of benefits assigned to the initial goodwill arising. The Directors estimate this value to accrue for another year.

Goodwill arising from the acquisition of a subsidiary relates to the acquisition of Bakti Wira Development Sdn Bhd (BWSB) during the year. BWSB has an equity interest of 30% in Jendela Hikmat Sdn Bhd (JHSB). JHSB was appointed by the Government in a privatisation exercise via a Privatisation Agreement to build and hand over to the Government an army camp in Muara Tuang, Sarawak and army academy campus in Sungei Besi, Kuala Lumpur, in exchange for approximately 700 acres of land in Bukit Raja, Klang and 3.8 acres of land in Kuching, Sarawak.

NOTES TO THE FINANCIAL STATEMENTS

22. INVENTORIES

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| At cost | | | | |
| Consumable stores | 412 | 374 | 220 | 179 |
| Merchandise | 195 | 172 | — | — |
| Completed houses | 21,382 | 7,917 | — | — |
| | 21,989 | 8,463 | 220 | 179 |

23. PROPERTY DEVELOPMENT IN PROGRESS

| | Group | |
|--|------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Costs at 1 January: | | |
| Freehold land | 32,094 | 43,975 |
| Long leasehold land | 2,916 | 4,244 |
| Development costs | 240,598 | 235,302 |
| | 275,608 | 283,521 |
| Development costs incurred during the year | 122,023 | 73,573 |
| Costs recognised in income statement: | | |
| At 1 January | (211,488) | (201,144) |
| Recognised during the year | (211,483) | (147,543) |
| Reversal of completed projects | 302,237 | 137,199 |
| | (120,734) | (211,488) |

23. PROPERTY DEVELOPMENT IN PROGRESS (CONT'D.)

| | Group | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Transfers: | | |
| From development properties (Note 16) | 158,183 | 62,370 |
| To inventories | (21,618) | (6,657) |
| Reversal of completed projects | (302,237) | (137,199) |
| | (165,672) | (81,486) |
| At 31 December | 111,225 | 64,120 |
| Included in development costs incurred during the financial year is: | | |
| Interest expense | | |
| – Bank and overdraft interest | 7,827 | 6,130 |

24. RECEIVABLES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Trade receivables | 84,748 | 103,404 | 1,080 | 703 |
| Less: allowance for doubtful debts | (4,761) | (3,122) | (323) | (323) |
| | 79,987 | 100,282 | 757 | 380 |
| Estate housing loan scheme | 7 | 191 | 7 | 191 |
| Prepayments | 315 | 88 | — | — |
| Deposits | 4,965 | 3,263 | 1,680 | 4 |
| Proceeds receivable from disposal of plantation assets to Al-Hadharah Boustead REIT | — | 252,750 | — | 252,750 |
| Other receivables | 5,216 | 5,846 | 2,578 | 2,450 |
| Dividend receivable | 8,447 | — | 8,447 | — |
| Amount due from holding company | — | — | 1,263 | 804 |
| Amount due from subsidiaries | — | — | 652,632 | 692,689 |
| Amount due from other related companies | 12,328 | 12,238 | 10,393 | 11,512 |
| Amount due from associate | 15,302 | 20,003 | 189 | 179 |
| | 126,567 | 394,661 | 677,946 | 960,959 |

NOTES TO THE FINANCIAL STATEMENTS

24. RECEIVABLES (CONT'D.)

Amounts due from holding company and subsidiaries are unsecured, bear interest at a weighted average rate of 4.0% (2006: 4.0%) and have no fixed terms of repayment. Amount due from other related companies are trade balances which are unsecured, interest free and based on normal trading payment terms. Amount due from associate is unsecured, bears interest at a weighted average rate of 6.0% (2006: 8.7%) and has no fixed terms of repayment.

25. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Cash held under housing development accounts | 52,157 | 30,093 | — | — |
| Cash and bank balances | 104,386 | 74,630 | 55,744 | 3,385 |
| Overdrafts | (1,482) | (3,036) | — | — |
| | 155,061 | 101,687 | 55,744 | 3,385 |

Included in cash and bank balances of the Group and the Company are call deposits held with financial institutions of RM55,000,000 (2006: RMnil) which carry a weighted average interest rate of 3.38% (2006: Nil) per annum.

26. SHARE CAPITAL

| | 2007 | | 2006 | |
|------------------------------|---------|---------|---------|---------|
| | '000 | RM'000 | '000 | RM'000 |
| Authorised: | | | | |
| Ordinary shares of RM1 each: | | | | |
| At 1 January | 500,000 | 500,000 | 500,000 | 500,000 |
| At 31 December | 500,000 | 500,000 | 500,000 | 500,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of RM1 each: | | | | |
| At 1 January | 255,199 | 255,199 | 255,199 | 255,199 |
| At 31 December | 255,199 | 255,199 | 255,199 | 255,199 |

27. RESERVES

(a) Non-Distributable Reserves

| | Share Premium RM'000 | Revaluation Reserve RM'000 | Redeemable Convertible Bonds RM'000 | Total RM'000 |
|-------------------------------------|----------------------------|----------------------------------|--|-----------------|
| GROUP – 2007 | | | | |
| At 1 January 2007 | 257,255 | 1,900 | 3,388 | 262,543 |
| Writeback of deferred tax provision | — | 100 | — | 100 |
| At 31 December 2007 | 257,255 | 2,000 | 3,388 | 262,643 |
| GROUP – 2006 | | | | |
| At 1 January 2006 | | | | |
| As previously stated | 257,255 | 58,497 | 3,388 | 319,140 |
| Effects of adopting FRS 140 | — | (4,660) | — | (4,660) |
| As restated | 257,255 | 53,837 | 3,388 | 314,480 |
| Writeback of deferred tax provision | — | 3,015 | — | 3,015 |
| Reserve realised during the year | — | (54,952) | — | (54,952) |
| At 31 December 2006 | 257,255 | 1,900 | 3,388 | 262,543 |

(b) Retained Earnings

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

The Company did not elect for irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the 108 balance and the balance in the tax exempt account to pay franked dividends amounting to RM300,000,000 (2006: RM309,000,000) out of its retained earnings. If the balance of the retained earnings of RM303,635,000 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS

28. LONG TERM BORROWINGS

| | Group | | Company | |
|--------------------------------------|------------------|----------------|------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Islamic Bonds | 40,000 | 100,000 | 40,000 | 100,000 |
| Redeemable Convertible Bonds | 75,294 | 75,294 | 75,294 | 75,294 |
| Term Loan | 13,762 | 14,878 | — | — |
| | 129,056 | 190,172 | 115,294 | 175,294 |
| Analysis by maturity | | | | |
| – within 1 year | 117,919 | 62,625 | 115,294 | 60,000 |
| – after 2 years | 11,137 | 127,547 | — | 115,294 |
| | 129,056 | 190,172 | 115,294 | 175,294 |
| Reclassified to borrowings (Note 30) | (117,919) | (62,625) | (115,294) | (60,000) |
| | 11,137 | 127,547 | — | 115,294 |

The Islamic Bonds (IBs), Redeemable Convertible Bonds (RCBs) and the term loan bear interest at a weighted average rate of 6.0% per annum (2006: 8.7%) and are denominated in Ringgit Malaysia.

The progress billings from sales of the Mutiara Damansara and Mutiara Rini projects are assigned to the Escrow Accounts, Profit Service Account and Principal Service Reserve Account for the repayment of the principal and interest of the IBs and RCBs.

Similarly, the project account, chilled water agreements and insurances are assigned to the lender of the term loan.

The IBs are negotiable promissory notes issued under the Syariah principles of Bai Bithaman Ajil, comprising Primary Notes with non-detachable Secondary Notes. Under an asset purchase agreement, the Primary Subscribers purchase assets from Boustead Properties Berhad (BPB) at the purchase price and subsequently resell these assets to BPB under an asset sale agreement at an agreed selling price. The IBs are issued in four series where the selling price is equivalent to the purchase price and profit portion. Each primary note is in RM1 million denominations and are attached to the appropriate number of secondary notes. All IBs redeemed are cancelled immediately and may not be reissued or resold.

The IBs were fully redeemed on 7 January 2008.

28. LONG TERM BORROWINGS (CONT'D.)

The RCBs, which are issued on a conventional basis, have a nominal value of RM80 million in denominations of RM1 million, with a tenure of 5 years from the issue date. The RCBs may be converted at the option of the holder, at the conversion price of RM4.13 into a maximum of 19,370,460 new BPB shares at any time after issuance to the Maturity Date (7 July 2008). BPB may redeem all but not part of the RCBs at any time on or after the expiry of 2 1/2 years from the issue date at an accreted value which is subject to a 130% trigger (i.e 30% above the conversion price). At maturity, the RCBs shall be redeemed at approximately 127% of the issue price. The RCBs carry a coupon rate of 4% per annum, payable annually in arrears on a half year basis, with effect from 7 January 2004.

The proceeds received from the issue of the RCBs, net of transaction costs have been split between the liability component and the equity component, representing the fair value of the conversion option. The RCBs are accounted for in the balance sheets of the Group and of the Company as follows:

| | 2007 RM'000 | 2006 RM'000 |
|---------------------------------------|----------------|----------------|
| Nominal value of RCBs | 80,000 | 80,000 |
| Equity component, net of deferred tax | (3,388) | (3,388) |
| Deferred tax liability | (1,318) | (1,318) |
| Liability component at date of issue | 75,294 | 75,294 |

NOTES TO THE FINANCIAL STATEMENTS

29. PAYABLES

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Current | | | | |
| Trade creditors | 142,210 | 75,481 | 567 | 419 |
| Accrued interest | 27,503 | 7,664 | 26,966 | 6,711 |
| Unclaimed dividend | 245 | 203 | 245 | 203 |
| Dividend payable | — | 18,630 | — | 18,630 |
| Accrued expenses | 12,183 | 12,029 | 2,253 | 1,398 |
| Accrued Ijarah rental | 11,018 | — | 11,018 | — |
| Other creditors | 2,905 | 1,458 | 394 | 446 |
| Amount due to holding company | 13,656 | 14,749 | — | — |
| Amount due to subsidiary | — | — | 115,114 | 116,060 |
| Amount due to other related companies | 1,891 | 1,463 | — | — |
| | 211,611 | 131,677 | 156,557 | 143,867 |
| Non-Current | | | | |
| Accrued interest | — | 17,626 | — | 17,626 |
| Deposits from tenants | 19,704 | 20,012 | 2,612 | 2,612 |
| | 19,704 | 37,638 | 2,612 | 20,238 |

Amounts due to holding and other related companies are trade balances which are unsecured, interest free and based on normal trading payment terms. Amount due to subsidiary is unsecured, bears interest at a weighted average rate of 3.5% (2006: 3.5%) and has no fixed terms of repayment.

30. BORROWINGS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Overdrafts | 1,482 | 3,036 | — | — |
| Islamic Bonds (Note 28) | 40,000 | 60,000 | 40,000 | 60,000 |
| Revolving credits | 30,000 | 190,000 | — | 50,000 |
| Redeemable Convertible Bonds (Note 28) | 75,294 | — | 75,294 | — |
| Term loan (Note 28) | 2,625 | 2,625 | — | — |
| Bankers' acceptance | — | 115 | — | — |
| | 149,401 | 255,776 | 115,294 | 110,000 |

Borrowings bear interest at a weighted average rate of 8.5% (2006: 6.0%).

31. COMMITMENTS

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Capital expenditure | | | | |
| – Authorised and contracted for | 12,804 | 27,904 | — | — |
| – Authorised but not contracted for | 6,269 | 6,587 | 462 | 467 |

32. SIGNIFICANT EVENTS

- During the year, the Company received a consideration comprising cash of RM135.8 million and 117.0 million new units of Boustead REIT as settlement for the sale of the plantation assets in the previous financial year.
- Mutiara Rini Sdn Bhd, a wholly owned subsidiary of Boustead Properties Berhad, had on 18 May 2007 entered into a Sale of Shares Agreement with Kausar Corporation Sdn Bhd to acquire the entire issued and paid up capital of Bakti Wira Development Sdn Bhd (BWSB) for a cash consideration of RM15.91 million. The transaction was completed on 6 July 2007. BWSB owns 30% of Jendela Hikmat Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS

33. SEGMENTAL REPORTING

| | Property Development RM'000 | Plantation RM'000 | Property Investment RM'000 | Hotel RM'000 | Elimination RM'000 | Total RM'000 |
|---|-----------------------------------|----------------------|----------------------------------|-----------------|-----------------------|-----------------|
| 2007 | | | | | | |
| Revenue | | | | | | |
| Group total sales – external | 284,394 | 71,360 | 78,759 | 39,457 | (11,619) | 462,351 |
| Results | | | | | | |
| Segment result – external | 61,936 | 15,708 | 24,996 | 10,061 | — | 112,701 |
| Fair value gain on investment properties | — | — | 13,133 | — | — | 13,133 |
| Dividend income | — | 12,765 | — | — | — | 12,765 |
| Finance cost | (5,300) | — | (29,895) | (1,024) | 29,327 | (6,892) |
| Interest income | 1,588 | 15,166 | 14,859 | — | (29,327) | 2,286 |
| Share of results of associates | (239) | — | 1,637 | — | — | 1,398 |
| Profit before tax | 57,985 | 43,639 | 24,730 | 9,037 | — | 135,391 |
| Taxation | | | | | | (34,918) |
| Net profit for the year | | | | | | 100,473 |
| Other Information | | | | | | |
| Segment assets | 530,525 | 204,821 | 848,919 | 136,251 | | 1,720,516 |
| Associates | 7,280 | — | 4,381 | — | | 11,661 |
| Total assets | 537,805 | 204,821 | 853,300 | 136,251 | | 1,732,177 |
| Segment liabilities | 244,057 | 13,258 | 129,146 | 5,392 | | 391,853 |
| Unallocated corporate liabilities | | | | | | 25,294 |
| Total liabilities | | | | | | 417,147 |
| Capital Expenditure | 223 | 603 | 22,227 | 1,962 | | 25,015 |
| Depreciation | 378 | 754 | 3,057 | 4,556 | | 8,745 |
| Amortisation of prepaid land lease | — | — | 189 | — | | 189 |
| Other non-cash expense | 234 | — | 3,483 | (34) | | 3,683 |

33. SEGMENTAL REPORTING (CONT'D.)

| | Property Development RM'000 | Plantation RM'000 | Property Investment RM'000 | Hotel RM'000 | Elimination RM'000 | Total RM'000 |
|--|-----------------------------------|----------------------|----------------------------------|-----------------|-----------------------|-----------------|
| 2006 | | | | | | |
| Revenue | | | | | | |
| Group total sales – external | 213,652 | 48,135 | 72,273 | 32,104 | (10,867) | 355,297 |
| Results | | | | | | |
| Segment result – external | 51,566 | 22,985 | 23,106 | 6,245 | — | 103,902 |
| Finance cost | (6,736) | — | (38,807) | (857) | 34,864 | (11,536) |
| Interest income | 1,515 | 8,189 | 26,756 | — | (34,864) | 1,596 |
| Share of results of associate | — | — | (4,755) | — | — | (4,755) |
| Profit from operations | 46,345 | 31,174 | 6,300 | 5,388 | — | 89,207 |
| Gain on disposal of plantation assets | | | | | | 135,267 |
| Profit before tax | | | | | | 224,474 |
| Taxation | | | | | | (26,105) |
| Net profit for the year | | | | | | 198,369 |
| Other Information | | | | | | |
| Segment assets | 599,352 | 281,206 | 826,816 | 138,523 | | 1,845,897 |
| Associate | — | — | 2,743 | — | | 2,743 |
| Total assets | 599,352 | 281,206 | 829,559 | 138,523 | | 1,848,640 |
| Segment liabilities | 315,806 | 20,292 | 212,035 | 4,505 | | 552,638 |
| Unallocated corporate liabilities | | | | | | 25,656 |
| Total liabilities | | | | | | 578,294 |
| Capital Expenditure | 217 | 724 | 56,080 | 3,635 | | 60,656 |
| Depreciation | 393 | 973 | 3,533 | 3,665 | | 8,564 |
| Amortisation of prepaid land lease | — | — | 191 | — | | 191 |
| Other non-cash expense | — | — | 1,180 | 12 | | 1,192 |

NOTES TO THE FINANCIAL STATEMENTS

34. SIGNIFICANT RELATED PARTY DISCLOSURES

Identification of related parties

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 operation decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Direct and indirect subsidiaries;
- (ii) Holding company, Boustead Holdings Berhad
- (iii) Ultimate holding corporation, Lembaga Tabung Angkatan Tentera (LTAT) and its subsidiaries;
- (iv) Direct and indirect Associates;
- (v) 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
- (vi) Firms in which Directors have a substantial interest, namely Arkitek MAA and Azzat & Izzat, being firms in which the Company's Director Dato' Ghazali Mohd Ali and Boustead Holdings Berhad's Director Datuk Azzat Kamaludin have a substantial interest in the respective firms.

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

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| <i>Holding Company</i> | | | | |
| Sale of produce stocks | 40,481 | 27,708 | 40,481 | 27,708 |
| Rental of office premises | 1,205 | 867 | — | — |
| <i>Subsidiaries of Holding Company</i> | | | | |
| Sale of produce stocks | 17,347 | 11,985 | 17,347 | 11,985 |
| Purchase of fertilisers | 3,440 | 5,146 | 3,440 | 5,146 |
| Rental of office premises | 5,633 | 2,810 | — | — |
| Insurance premium paid | 1,278 | — | 64 | — |
| <i>Associates of Holding Company</i> | | | | |
| Rental of office premises | 13,315 | 16,236 | 9,636 | 9,636 |
| Insurance premium paid | — | 1,289 | — | 80 |
| Professional fees paid | 60 | 118 | — | 3 |
| <i>Directors</i> | | | | |
| Sale of development properties under the terms approved at the preceding Annual General Meeting | 1,550 | — | — | — |
| <i>Key management personnel</i> | | | | |
| Sale of development properties | 2,049 | — | — | — |
| <i>Firms in which Directors have a substantial interest</i> | | | | |
| Legal fees | | | | |
| – Azzat & Izzat | 30 | 398 | — | — |
| Architectural fees | | | | |
| – Arkitek MAA | 2,264 | 1,974 | — | — |

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| <i>Directors</i> | | | | |
| Fees | 110 | 135 | 110 | 135 |
| Remuneration | 722 | 704 | — | — |
| Defined contribution plan | 102 | 100 | — | — |
| Estimated monetary value of benefits-in-kind | 45 | 77 | 14 | 16 |
| | 979 | 1,016 | 124 | 151 |
| <i>Other key management personnel</i> | | | | |
| Short term employee benefits | 2,391 | 2,262 | — | — |
| Defined contribution plan | 289 | 281 | — | — |
| Estimated monetary value of benefits-in-kind | 13 | 75 | — | — |
| | 2,693 | 2,618 | — | — |
| Total paid to key management personnel | 3,672 | 3,634 | 124 | 151 |

35. SALE AND LEASEBACK OF PLANTATION ASSETS

On 29 December 2006, the Company completed the disposal of its six oil palm estates (Plantation Assets) to Al-Hadharah Boustead REIT (Boustead REIT) and commenced the Ijarah arrangements for the plantation assets with effect from 1 January 2007. The renting of the plantation assets from Boustead REIT covers a cumulative tenure of up to thirty years at a fixed rent of RM20.1 million per annum for the first tenancy term of three years. Over and above the fixed rent, a performance based profit sharing on a 50:50 basis is payable on net incremental income exceeding RM1,500 per metric tonne of palm oil. The Ijarah arrangements for the first two tenancy period of three years each totalling six years is non-cancellable.

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

| | Group and Company | |
|----------------------------|-------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Within one year | 20,100 | 20,100 |
| Between two and five years | 80,400 | 100,500 |
| | 100,500 | 120,600 |

36. HOLDING COMPANY AND ULTIMATE HOLDING CORPORATION

The holding company is Boustead Holdings Berhad, a company incorporated in Malaysia. The ultimate holding corporation is Lembaga Tabung Angkatan Tentera, a local statutory body established under the Tabung Angkatan Tentera Act, 1973.

37. CONTINGENT ASSET

The Company has lodged appeals against the valuations adopted by the Government on the compulsory acquisition of 750 hectares of its estate land. The disputes on the quantum of any additional compensation have not been settled nor included in these financial statements.

BOUSTEAD PROPERTIES GROUP

| Name of Company | Principal Activities | Country of Incorporation | Paid up Capital | Group Interest | |
|--|---|--------------------------|-----------------|----------------|--------|
| | | | | 2007 % | 2006 % |
| At 31 December 2007 | | | | | |
| SUBSIDIARIES | | | | | |
| Boustead Curve Sdn Bhd | Property investment | Malaysia | RM150,000,000 | 100 | 100 |
| Boustead Realty Sdn Bhd | Property investment | Malaysia | RM100,000,000 | 100 | 100 |
| Boustead Hotels & Resorts Sdn Bhd | Hotel operations | Malaysia | RM75,000,000 | 100 | 100 |
| Mutiara Rini Sdn Bhd | Property development | Malaysia | RM50,000,000 | 100 | 100 |
| UK Realty Sdn Bhd | Inactive | Malaysia | RM40,000,000 | 100 | 100 |
| Boustead Weld Court Sdn Bhd | Property investment | Malaysia | RM20,000,000 | 100 | 100 |
| Boustead Linear Corporation Sdn Bhd | Produce and supply chill water for air-conditioning | Malaysia | RM12,000,000 | 60 | 60 |
| Akademi Pendidikan Pemandu (M) Sdn Bhd | Inactive | Malaysia | RM5,000,000 | 76 | 76 |
| Nam Seng Bee Hoon Sendirian Berhad | Property investment | Malaysia | RM360,000 | 100 | 100 |

| Name of Company | Principal Activities | Country of Incorporation | Paid up Capital | Group Interest | |
|---|----------------------|--------------------------|-----------------|----------------|--------|
| | | | | 2007 % | 2006 % |
| At 31 December 2007 | | | | | |
| SUBSIDIARIES (CONT'D.) | | | | | |
| Boustead Retail Network Sdn Bhd | Inactive | Malaysia | RM250,000 | 100 | 100 |
| Bakti Wira Development Sdn Bhd | Investment holdings | Malaysia | RM75,000 | 100 | — |
| Global Marketing Services Limited* | Inactive | British Virgin Islands | USD5,000 | 100 | 100 |
| Boustead Ventures Limited* | Inactive | United Kingdom | £1,000 | 100 | 100 |
| Boustead Hotel Management Services Limited* | Inactive | United Kingdom | £1,000 | 100 | 100 |
| ASSOCIATES | | | | | |
| Damansara Entertainment Centre Sdn Bhd | Property investment | Malaysia | RM17,000,000 | 50 | 50 |
| Jendela Hikmat Sdn Bhd* | Property development | Malaysia | RM30,000,000 | 30 | — |

* Subsidiaries and associate not audited by Ernst & Young Malaysia.

ADDITIONAL DISCLOSURE (PURSUANT TO THE LISTING REQUIREMENTS)

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

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

During the year, the Company received the sale consideration comprising cash of RM135.8 million and 117.0 million new units of Al-Hadharah Boustead REIT (Boustead REIT) as settlement for the sale of the plantation assets to Boustead REIT in the previous financial year. The cash proceeds were used to retire part of the Group's bank borrowings and for working capital requirements.

2. SHARE BUY-BACKS DURING THE FINANCIAL YEAR

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

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2007.

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

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

5. SANCTIONS/PENALTIES

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

6. NON-AUDIT FEES

Non-audit fees paid to external auditors for the financial year ended 31 December 2007 amounted to RM5,000 for the Group and the Company respectively.

7. VARIATION IN RESULT

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

8. PROFIT GUARANTEE

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

9. REVALUATION POLICY OF LANDED PROPERTIES

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

10. MATERIAL CONTRACTS

There were no material contracts which had been entered into by the Company and its Subsidiaries involving Directors and substantial shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2007 or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS

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

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

| Related Party | Interested Director/ Connected Person | Nature of Transactions | Value of Transactions RM'000 |
|--------------------------------|---|---|------------------------------------|
| Boustead Holdings Berhad Group | Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat | Purchase of fertilisers by Boustead Properties Berhad | 3,440 |
| | Tan Sri Dato' Lodin Wok Kamaruddin | Advertising services provided to Boustead Properties Berhad Group | 119 |
| | Tuan Hj. Johari Muhamad Abbas | General and plantation management services provided to Boustead Properties Berhad Group | 653 |
| | Dato' Ghazali Mohd Ali | Rental of office space from Boustead Realty Sdn Bhd and Boustead Weld Court Sdn Bhd | 6,838 |
| | | Property management services provided by Boustead Weld Court Sdn Bhd | 148 |
| | | Sale of fresh fruit bunches to Boustead Holdings Berhad and Boustead Heah Joo Seang Sdn Bhd | 57,828 |
| | | Provision of computer services by Boustead Information Technology Sdn Bhd | 285 |
| | | Provision of renovation works by Boustead Building Materials Sdn Bhd | 1,707 |
| | | Purchase of fuel from Boustead Petroleum Marketing Sdn Bhd | 97 |

| Related Party | Interested Director/ Connected Person | Nature of Transactions | Value of Transactions RM'000 |
|--|--|--|------------------------------------|
| Affin Holdings Berhad Group | Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat | Rental of office space from Boustead Realty Sdn Bhd, Boustead Curve Sdn Bhd and Boustead Properties Berhad | 12,651 |
| | Tan Sri Dato' Lodin Wok Kamaruddin | | |
| | Tuan Hj. Johari Muhamad Abbas | Professional services to Boustead Properties Berhad | 60 |
| | Dato' Ghazali Mohd Ali | | |
| Associates of Boustead Holdings Berhad | Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat | Rental of office space from Boustead Realty Sdn Bhd | 664 |
| | Tan Sri Dato' Lodin Wok Kamaruddin | | |
| | Tuan Hj. Johari Muhamad Abbas | | |
| | Dato' Ghazali Mohd Ali | | |
| Irat Hotels & Resorts Sdn Bhd | Dato' Ghazali Mohd Ali | Rental of office space from Boustead Realty Sdn Bhd | 61 |
| | Tan Sri Dato' Lodin Wok Kamaruddin | Property management services provided by Boustead Realty Sdn Bhd | 180 |
| Arkitek MAA | Dato' Ghazali Mohd Ali | Architectural services to Mutiara Rini Sdn Bhd and Boustead Curve Sdn Bhd | 2,264 |
| Azzat & Izzat | Datuk Azzat Kamaludin | Legal services to Boustead Properties Berhad Group | 30 |
| Metrojaya Berhad | Dato' Ahmad Khairummuzammil Mohd Yusoff | Rental of retail space from Boustead Curve Sdn Bhd | 1,525 |

GROUP PROPERTY PORTFOLIO

| Location | Hectares | Description | Tenure | Age of Buildings | |
|--|----------|---------------------------------|-----------|------------------|------------|
| | | | | Years | RM million |
| At 31 December 2007 | | | | | |
| Kulai Young Estate (Main Division), Kulai, Johor | 206.00 | Industrial/Quarry | Freehold | | 3.7 |
| Mutiara Rini, Kulai, Johor | 415.97 | Development Land | 1912-2911 | | 7.7 |
| 71, Jalan Raja Chulan, Kuala Lumpur | 0.11 | Office Complex | Freehold | 24 | 22.8 |
| 69, Jalan Raja Chulan, Kuala Lumpur | 0.43 | Office Complex | Freehold | 22 | 137.2 |
| 80, Jalan Raja Chulan, Kuala Lumpur | 0.34 | Office Complex | Freehold | 9 | 121.9 |
| 16, Jalan Bukit Tunku, Kuala Lumpur | 0.34 | Residential Bungalow | Freehold | 53 | 1.8 |
| 24, Persiaran Bukit Tunku, Kuala Lumpur | 0.28 | Residential Bungalow | Freehold | 46 | 1.7 |
| 11, Jalan Ragum, Shah Alam, Selangor | 1.21 | Industrial Land and Building | 1987-2086 | 20 | 5.6 |
| Lot 723 and 724, Section 8, Petaling Jaya | 0.17 | Industrial Land and Building | 1970-2069 | 22 | 3.5 |
| Lot 90, Semambu Industrial Estate, Pahang | 0.41 | Industrial Land and Building | 1975-2041 | 8 | 2.3 |
| Lot 22 and 25, Sector 1, Bandar Indera Mahkota, Kuantan, Pahang | 0.59 | Industrial Land and Building | 1996-2062 | 8 | 3.6 |
| Lot 9, Section 7, Phase 1A, Pulau Indah Industrial Park, West Port, Selangor | 1.88 | Industrial Land | 1995-2097 | | 2.8 |
| Lot 1385, Bandar Selayang, District of Gombak | 0.64 | Industrial Land and Building | Freehold | 8 | 4.5 |
| Lot 70, Mutiara Damansara, Mukim Sungai Buluh, Selangor | 34.82 | Development Land | Freehold | | 29.5 |

| Location | Hectares | Description | Tenure | Age of Buildings | |
|--|----------|--------------------------------|-----------|------------------|------------|
| | | | | Years | Book Value |
| At 31 December 2007 | | | | | |
| the Curve, No. 6, Jalan PJU 7/3, Mutiara Damansara, Selangor | 5.04 | Commercial Land and Building | Freehold | 3 | 375.0 |
| HSDN 183241 PT44582, Mutiara Damansara, Mukim Sungai Buluh, Selangor | 0.61 | Commercial Land and Building | Freehold | 3 | 19.3 |
| Lot 923, Jalan Ampang, Kuala Lumpur | 1.23 | Condominium under construction | Freehold | | 33.1 |
| No. 6, Jalan Girdle, Kuala Lumpur | 0.32 | Residential Bungalow | Freehold | 44 | 5.5 |
| Lot 15, Jalan Gudang, Shah Alam | 0.40 | Industrial Land and Building | 1970-2069 | 12 | 4.1 |
| 17-21 Jalan Bukit Bintang, Kuala Lumpur | 0.31 | Hotel | Freehold | 10 | 106.9 |
| No. 6, Jalan PJU 7/3, Mutiara Damansara, Selangor | 0.62 | Hotel | Freehold | 3 | 37.1 |

| Location | Hectares | Description |
|--|----------|-----------------|
| Estates leased from Al-Hadharah Boustead REIT | | |
| Malaya Estate, Selama, Perak | 922 | Oil palm estate |
| Batu Pelaka Estate, Kuala Ketil, Kedah | 969 | Oil palm estate |
| Bukit Mertajam Estate, Kulim, Kedah | 2,173 | Oil palm estate |
| Bekoh Estate, Tangkak, Johor | 1,226 | Oil palm estate |
| Chamek Estate, Paloh, Johor | 817 | Oil palm estate |
| Kulai Young Estate, Kulai, Johor | 816 | Oil palm estate |

SHAREHOLDING STATISTICS

Analysis of shareholdings as at 31 January 2008

| Size of Shareholdings | No. of holders | % | No. of shares | % |
|--------------------------------|----------------|---------------|--------------------|---------------|
| <100 | 197 | 4.28 | 8,002 | 0.00 |
| 100 – 1,000 | 471 | 10.23 | 315,569 | 0.12 |
| 1,001 – 10,000 | 3,428 | 74.49 | 10,181,673 | 3.99 |
| 10,001 – 100,000 | 444 | 9.65 | 10,823,154 | 4.24 |
| 100,001 – <5% of issued shares | 59 | 1.28 | 37,201,014 | 14.58 |
| 5% and above of issued shares | 3 | 0.07 | 196,669,619 | 77.07 |
| Total | 4,602 | 100.00 | 255,199,031 | 100.00 |

Thirty Largest Shareholders

| | No. of shares | % |
|--|---------------|-------|
| 1. Boustead Holdings Berhad <i>Account Non-Trading</i> | 161,504,263 | 63.29 |
| 2. Lembaga Tabung Angkatan Tentera | 21,941,106 | 8.60 |
| 3. Employees Provident Fund Board | 13,224,250 | 5.18 |
| 4. Valuecap Sdn Bhd | 6,672,150 | 2.61 |
| 5. Boustead Holdings Berhad | 4,387,900 | 1.72 |
| 6. Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For Public Ittikal Fund (N14011970240)</i> | 3,459,100 | 1.35 |
| 7. Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 1)</i> | 2,906,250 | 1.14 |
| 8. Southern Acids (M) Berhad | 2,214,841 | 0.87 |
| 9. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Far-East Property & Resorts Fund</i> | 1,305,700 | 0.51 |
| 10. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public South-East Asia Select Fund</i> | 824,400 | 0.32 |
| 11. Lembaga Tabung Haji | 708,825 | 0.28 |
| 12. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>AUTB Progress Fund</i> | 672,500 | 0.26 |
| 13. TM Asia Life Malaysia Bhd <i>As Beneficial Owner (PF)</i> | 642,000 | 0.25 |
| 14. Bee Yong Sdn Berhad | 600,000 | 0.23 |
| 15. Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 2)</i> | 600,000 | 0.23 |

| Thirty Largest Shareholders (Cont'd.) | No. of shares | % |
|---|--------------------|--------------|
| 16. HSBC Nominees (Asing) Sdn Bhd <i>HSBC SG For Singapore Investments Pte Ltd</i> | 587,336 | 0.23 |
| 17. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Public Smallcap Fund</i> | 559,000 | 0.22 |
| 18. HSBC Nominees (Tempatan) Sdn Bhd <i>Heah Seok Yeong Realty Sdn Bhd (372-006122-091)</i> | 500,000 | 0.20 |
| 19. Mikdavid Sdn Bhd | 492,300 | 0.19 |
| 20. Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Chin Kiam Hsung</i> | 450,100 | 0.18 |
| 21. Chinchoo Investment Sdn. Berhad | 450,000 | 0.18 |
| 22. Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For Asbi Dana Al-Mubin (940160)</i> | 400,350 | 0.16 |
| 23. Bidor Tahan Estates Sdn. Bhd. | 400,000 | 0.16 |
| 24. Gan Teng Siew Realty Sdn Berhad | 400,000 | 0.16 |
| 25. Key Development Sdn. Berhad | 400,000 | 0.16 |
| 26. Rengo Malay Estate Sendirian Berhad | 400,000 | 0.16 |
| 27. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY For DFA Emerging Markets Small Cap Series</i> | 378,000 | 0.15 |
| 28. HSBC Nominees (Asing) Sdn Bhd <i>HSBC SG For Lee Plantations (Pte.) Limited</i> | 375,000 | 0.15 |
| 29. HSBC Nominees (Asing) Sdn Bhd <i>HSBC-FS For Arisaig Asean Fund Limited</i> | 369,800 | 0.14 |
| 30. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY For DFA Emerging Markets Fund</i> | 343,700 | 0.13 |
| | 228,168,871 | 89.41 |

| Shareholders with holdings of 5% and above as at 31 January 2008 | No. of shares | % |
|--|---------------------|-------|
| 1. Boustead Holdings Berhad | 165,892,163 | 65.01 |
| 2. Lembaga Tabung Angkatan Tentera | 21,941,106 | 8.60 |
| 3. Employees Provident Fund Board | 13,224,250 | 5.18 |
| Class of Shares | RM1 ordinary shares | |
| Voting Rights | 1 vote per share | |

STATEMENT OF DIRECTORS' INTERESTS

In the Company and Related Corporations as at 31 January 2008

| Name of Director | No. of shares | Direct % |
|--|---------------|----------|
| Boustead Properties Berhad (No. of ordinary shares of RM1.00 each) | | |
| Tuan Hj. Johari Muhamad Abbas | 27,500 | 0.01 |
| Boustead Holdings Berhad (No. of ordinary shares of RM0.50 each) | | |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 21,115,000 | 3.36 |
| Tuan Hj. Johari Muhamad Abbas | 56,666 | 0.01 |
| Boustead Heavy Industries Corporation Berhad (No. of ordinary shares of RM1.00 each) | | |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 2,000,000 | 0.80 |
| Y. Bhg. Dato' Ghazali Mohd Ali | 75,000 | 0.03 |
| Affin Holdings Berhad (No. of ordinary shares of RM1.00 each) | | |
| Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat | 91,708 | 0.01 |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 808,714 | 0.05 |
| Y. Bhg. Dato' Ghazali Mohd Ali | 51,000 | — |
| Tuan Hj. Johari Muhamad Abbas | 27,000 | — |
| Affin Holdings Berhad (No. of units – Warrants) (W3) | | |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 1,500 | — |
| Tuan Hj. Johari Muhamad Abbas | 5,000 | — |
| Boustead Petroleum Sdn Bhd (No. of ordinary shares of RM1.00 each) | | |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 5,466,465 | 5.0 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the NINETY SECOND ANNUAL GENERAL MEETING OF BOUSTEAD PROPERTIES BERHAD will be held at 4th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 3 April 2008 at 10.00 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

Resolution Number

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

1

To declare a final dividend of 10 sen per share less income tax at 26% to be paid on 12 May 2008.

2

To re-elect Y. Bhg. Dato' Ghazali Mohd Ali who retires by rotation and, being eligible, offers himself for re-election.

3

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

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

4

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

5

To approve Directors' fees.

6

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

7

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

Resolution Number

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

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

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 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 – Authority to Transact With Directors Pursuant to Section 132E of the Companies Act, 1965.

9

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

Terms

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

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

- for land/units valued above RM500,000 – 20% discount (Inclusive of 7% discount given to Bumiputra house buyers)
- for land/units valued below RM500,000 – 17% discount (Inclusive of 7% discount given to Bumiputra house buyers)

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

The Board member is entitled to the same benefit for the purchase of a second unit, provided it is made 5 years after the first purchase.

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

- (i) the conclusion of the next Annual General Meeting of the Company (AGM), at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by the Company in a general meeting, which ever is the earlier.”

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

10

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

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

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS (CONT'D.)

Resolution Number

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

- (i) the conclusion of the next Annual General Meeting (AGM), at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier provided that such transactions are made on an arms length basis and on normal commercial terms.

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

11

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

- (i) the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;
- (ii) disclosure will be made of a breakdown of the aggregate value of transactions conducted pursuant to the Mandate during the financial year based on the following information in the Company’s Annual Report and in the Annual Reports for subsequent financial years that the Mandate continues in force:
 - (a) the type of the recurrent related party transactions made; and
 - (b) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company; and

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

- (iii) that such authority shall continue to be in force until:
- (a) the conclusion of the next Annual General Meeting (AGM) of the Company following the general meeting at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after this date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (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 general meeting, whichever is the earlier provided that such transactions are made on an arms length basis and on normal commercial terms."

Special Resolution – Proposed Amendments to the Articles of Association of the Company

12

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

To transact any other ordinary business of the Company.

—

By order of the Board

Kuala Lumpur
12 March 2008

SHARIFAH MALEK
Secretary

FINAL DIVIDEND AND BOOK CLOSURE

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

- (a) Any member entitled to attend and vote may appoint one or two proxies, who need not be a member, to attend and on a poll, to 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 interests of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting required by law to be held, whichever is earlier.
- (c) Section 132E of the Companies Act, 1965, prohibits a company or its subsidiaries from entering into any arrangements or transactions with its directors or persons connected with such directors in respect of the acquisition from or disposal to such directors or connected persons any non-cash assets of the "requisite value" without prior approval of the Company in General Meeting. According to the Act, a non-cash asset, is considered to be of the "requisite value" if, at the time of arrangements or transactions, its value is greater than two hundred and fifty thousand ringgit or 10% of the Company's net assets, subject to minimum of ten thousand ringgit. The Ordinary Resolution 9, if passed, will authorise the Company and each of its subsidiaries to dispose to its directors or connected persons, non-cash assets which may fall within the definition of the "requisite value". The Board member is required to serve 2 years before he is entitled to the graduated discount.
- (d) The proposed Resolutions 10 and 11, if passed, will enable the Company and/or its subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.
- (e) The proposed Special Resolution 12, if passed, will allow the Company to incorporate amendments to the Listing Requirements of Bursa Malaysia Securities Berhad to ensure compliance. The details of the proposal are set out in the Circular to Shareholders dated 12 March 2008.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

A total of four (4) Board Meetings were held during the financial year ended 31 December 2007 details of which are as follows:

| Date | Time | Place |
|-----------------|-----------|--|
| 1 March 2007 | 9.30 a.m. | 28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur |
| 15 May 2007 | 2.50 p.m. | 28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur |
| 20 August 2007 | 2.00 p.m. | 28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur |
| 9 November 2007 | 9.00 a.m. | 28th Floor Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur |

Details of attendance of Directors at the above Board Meetings are as follows:

| Name of Directors | Date of appointment | No. of meetings attended |
|--|---------------------|--------------------------|
| Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat | 18 January 1991 | 4/4 |
| Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin | 21 January 1991 | 4/4 |
| Y. Bhg. Dato' Ghazali Mohd Ali | 20 October 1994 | 4/4 |
| Tuan Hj. Johari Muhamad Abbas | 12 May 1998 | 3/4 |
| Y. Bhg. Dato' Ahmad Khairummuzammil Mohd Yusoff | 13 August 2001 | 3/4 |
| Tuan Hj. Halim Hj. Din | 1 July 2001 | 4/4 |

Directors who are standing for re-appointment or re-election are as follows:

- (a) Directors standing for re-appointment under Section 129(6) of the Companies Act, 1965.
- i. Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat
 - ii. Tuan Hj. Johari Muhamad Abbas
- (b) Director standing for re-election
- i. Y. Bhg. Dato' Ghazali Mohd Ali

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PROXY FORM

I/We _____

of _____

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

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

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

No. of Shares

Dated this _____ day of _____ 2008

Signature

Notes:-

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

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STAMP

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

