



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

## **Annual Report 2005**





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## Board of Directors

From left to right

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

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

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

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

**Y. Bhg. Datuk Azzat Kamaludin**

**Tuan Hj. Johari Muhamad Abbas**





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

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

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

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

## Directors' Profile



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

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

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

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





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

Independent Non-Executive Director  
75 years of age, Malaysian

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

He is a graduate of the Royal Military Academy, Sandhurst, United Kingdom; Defence Services Staff College, India; and International Defence Management Naval Institute, United States of America. He holds a diploma in Practical & Applied Psychology in Industry from Aldermaston College, United Kingdom. He is a Fellow of the British Institute of Management, as well as a member of the American Institute of Management Executive Council, Malaysian Institute of Personnel Management, Malaysian Institute of Management and Malaysian Institute of Directors. He served in various capacities in the Malaysian Armed Forces from 1955 to 1988 with his last position being that of Chief of Defence Intelligence Staff. He also sits on the Boards of UMW Holdings Berhad and several other private limited companies. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company.



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

Independent Non-Executive Director  
66 years of age, Malaysian

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

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





**Y. Bhg. Datuk Azzat Kamaludin**

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

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

He is a lawyer by profession, and is a partner of the law firm of Azzat and Izzat. He graduated from the University of Cambridge with degrees in Law and in International Law in 1969 and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an Administrative and Diplomatic Officer with the ministry of Foreign Affairs Malaysia in various capacities. He is also presently a Director of Affin Holdings Berhad, Visdynamics Holdings Berhad, KPJ Healthcare Berhad, Pulau Springs Berhad, Celcom (Malaysia) Berhad, Technology Resources Industries Berhad, PSC Industries Berhad and several other private limited companies. He served as a member of the Securities Commission from 1 March 1993 to 21 March 1999. He does not have any family relationship with any Director and/or major shareholder of Boustead Holdings Berhad, nor any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner.



**Tuan Hj. Johari Muhamad Abbas**

Independent Non-Executive Director  
74 years of age, Malaysian

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

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

# Corporate Information

## Directors

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

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

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

Tuan Hj. Johari Muhamad Abbas

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

Y. Bhg. Datuk Azzat Kamaludin

## Secretary

Pn. Sharifah Malek

## Registered Office

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

## Registrar

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

## Principal Bankers

Malayan Banking Berhad  
The Bank of Nova Scotia Berhad  
Hongkong Bank Malaysia Berhad  
Southern Bank Berhad  
RHB Bank Berhad  
Bumiputra-Commerce Bank (M) Berhad  
Affin Bank Berhad  
EON Bank Berhad  
United Overseas Bank (Malaysia) Berhad

## Auditors

Ernst & Young

## Stock Exchange Listing

Bursa Malaysia Securities Berhad

## Holding Corporation

Lembaga Tabung Angkatan Tentera



# Corporate Calendar

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



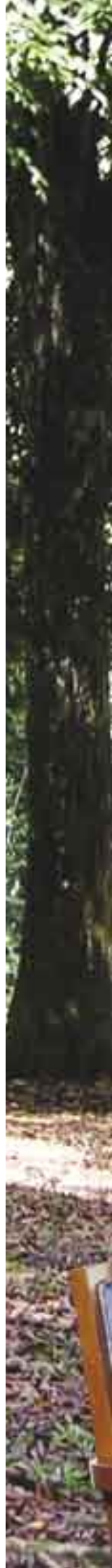
From left to right

**Mr Daniel Ebinesan**  
Director, Financial Services

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

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

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





**Senior  
Management  
Team**











From left to right

**Mr Teng Peng Khen**  
Boustead Estates Agency

**Mr Lee Keong Hoe**  
Boustead Estates Agency

**Mr Tan Kim Thiam**  
Boustead Petroleum

**Professor Brian Atkin**  
University of Nottingham

**En Hussin Abdul Jalil**  
Boustead Estates Agency

**Mr Chow Kok Choy**  
Boustead Estates Agency

**Mr Johnny Soon**  
Boustead Shipping Agencies

**Ms Serena Ngiam**  
Boustead Travel Services

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

**Pn Farshila Imran**  
Idaman Pharma Manufacturing

**Dr Rodaina Ibrahim**  
Boustead Information Technology









From left to right

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

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

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

**Mr Ting Sik Fatt**  
Boustead Engineering

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

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

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

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

**En Khushairi Mohd Hashim**  
Boustead Properties

**Pn Nawal Hanafiah**  
Group Human Resource

**Pn Sharifah Malek**  
Company Secretary

**Mr Chan Pooi Hoong**  
Group Internal Audit

**En Mokhtar Khir**  
The Royale Bintang Hotel









# **Audit Committee Report**

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



Members from left to right

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

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

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

**Tuan Hj. Johari  
Muhamad Abbas**





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

## MEMBERS AND MEETINGS

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

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

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



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

The terms of reference of the Committee are as follows:

### **Composition**

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

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

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

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

### **Authority**

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



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

### **Responsibility and Duties**

The Committee shall undertake the following responsibilities and duties:

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

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

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

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

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





### INTERNAL AUDIT FUNCTION

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

The principal roles of the Internal Audit Department are:

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

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





# Corporate Governance

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

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

## **BOARD RESPONSIBILITIES**

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

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

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

## **COMPOSITION OF THE BOARD**

The Board currently has six (6) members, comprising one (1) executive Director and five (5) non-executive Directors. Three of the Directors are independent Directors, which is in excess of the listing requirement of one third. Together, the Directors bring characteristics which allow a mix of

qualifications, skills and experience which is necessary for the successful direction of the Group. A brief profile of each Director is presented on pages 4 to 7 of this annual report.

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

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

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

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

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

## **BOARD MEETINGS**

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



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

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

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

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

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

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

## **INFORMATION FOR THE BOARD**

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

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

## **DIRECTORS' TRAINING**

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. During the year, all the Directors attended a training on Financial Reporting Standards and Goods and Services Tax conducted by Ernst & Young. The Directors continue to undergo other relevant training programmes as appropriate, to further enhance their skills and knowledge.

## **RE-ELECTION OF DIRECTORS**

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

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



## BOARD COMMITTEES

### Audit Committee

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

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

### ESOS Committee

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

The members of the Committee are:

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

### Nomination Committee

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

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

The functions of the Nomination Committee shall be to:

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

### Remuneration Committee

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

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

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

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

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

## DIRECTORS' REMUNERATION

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

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

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

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

## INVESTORS AND SHAREHOLDERS RELATIONSHIP

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

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

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



## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

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

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

### **Internal Control**

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

### **Relationship with External Auditors**

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

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

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

In preparing these financial statements, the Directors have:

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

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.





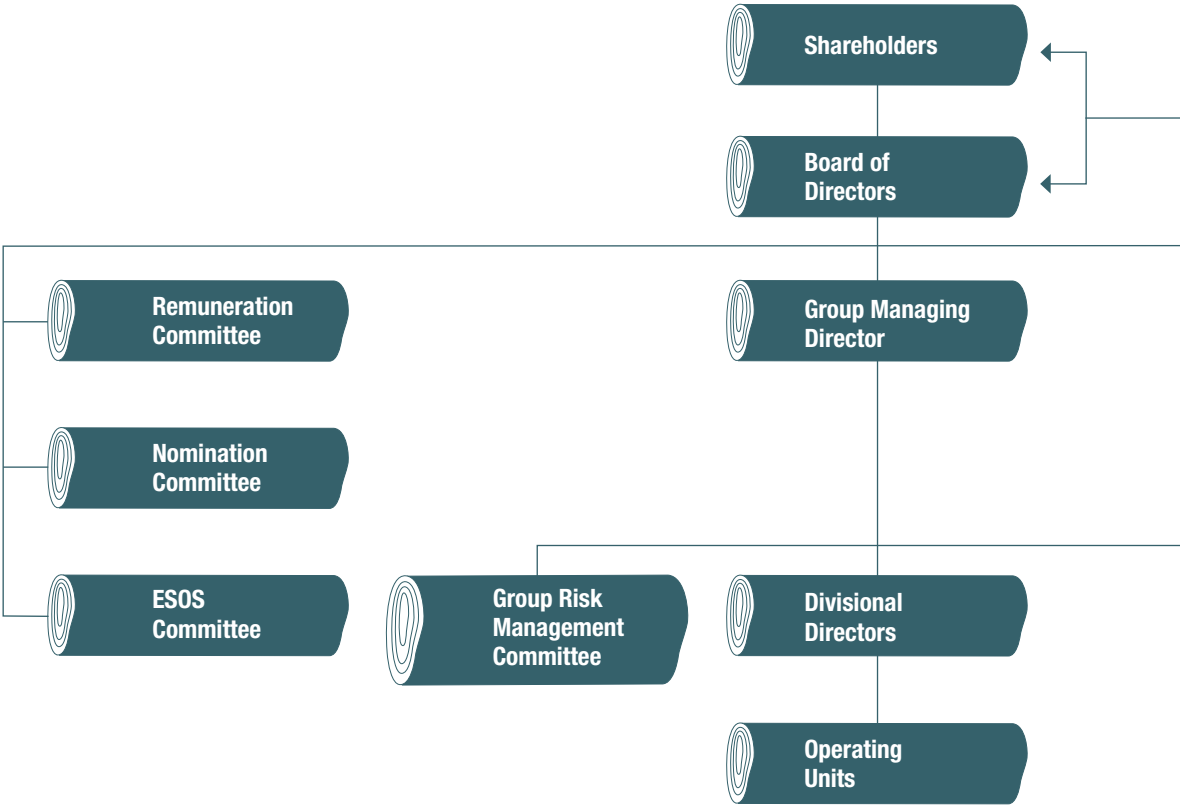


## **Statement on Internal Control**

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

**BOARD RESPONSIBILITY**

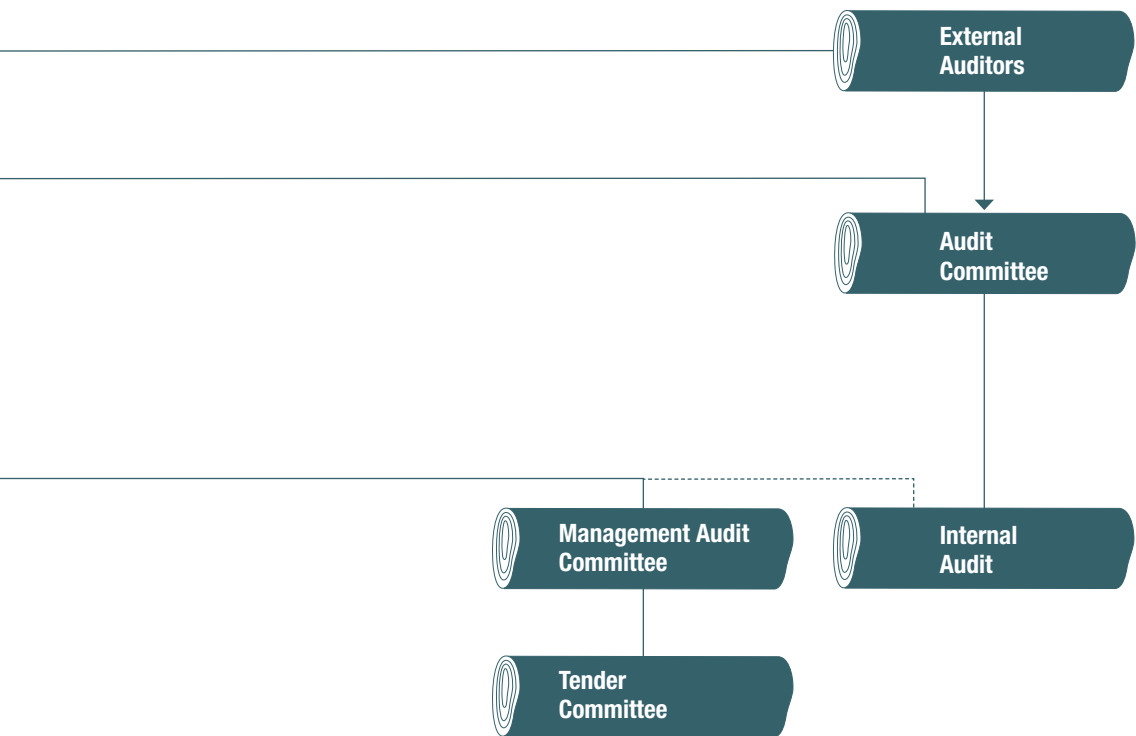
The Board acknowledges its responsibility for maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets and for reviewing the adequacy and integrity of the system. Notwithstanding, due to the limitations that are inherent in any system of internal control,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





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

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



## **RISK MANAGEMENT**

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

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

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

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

In pursuing these objectives the Group has:

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

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

## **INTERNAL AUDIT FUNCTION**

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

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

## **KEY ELEMENTS OF INTERNAL CONTROL**

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

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



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

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

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

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

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

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

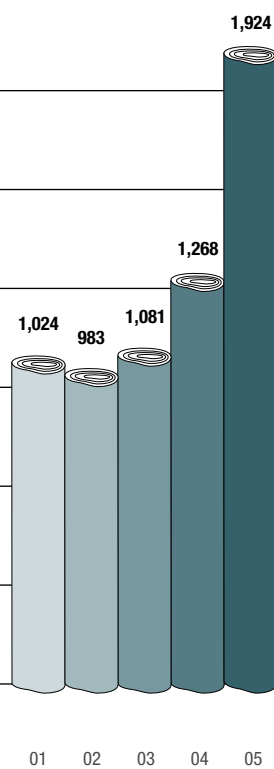
The Board is of the view that the system of internal control in place for the year under review is sound and sufficient to safeguard shareholders' investments, customers' interests and the Group's assets.

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

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

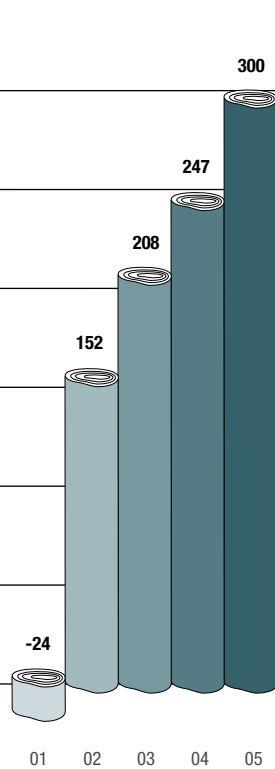
This statement is made in accordance with a resolution of the Board of Directors dated 28 February 2006.

Revenue



RM Million

Profit Before Taxation



RM Million

Shareholders' Equity



RM Million