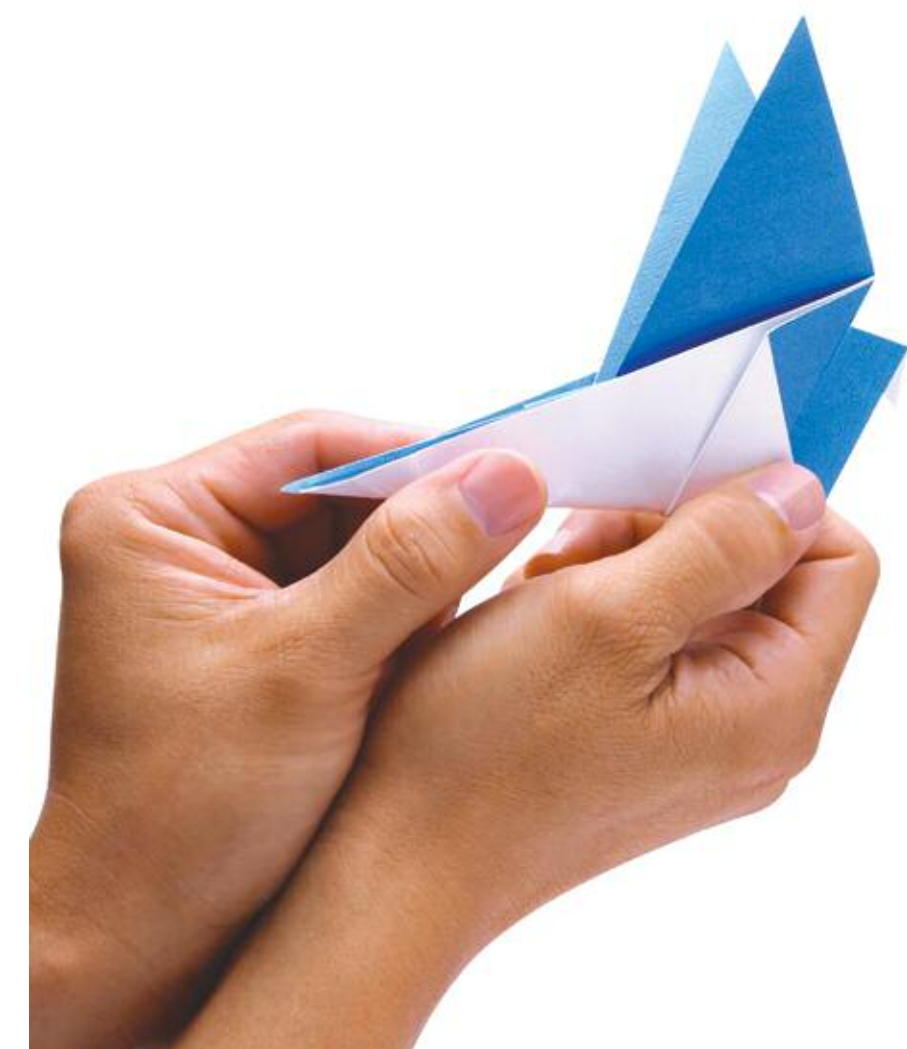


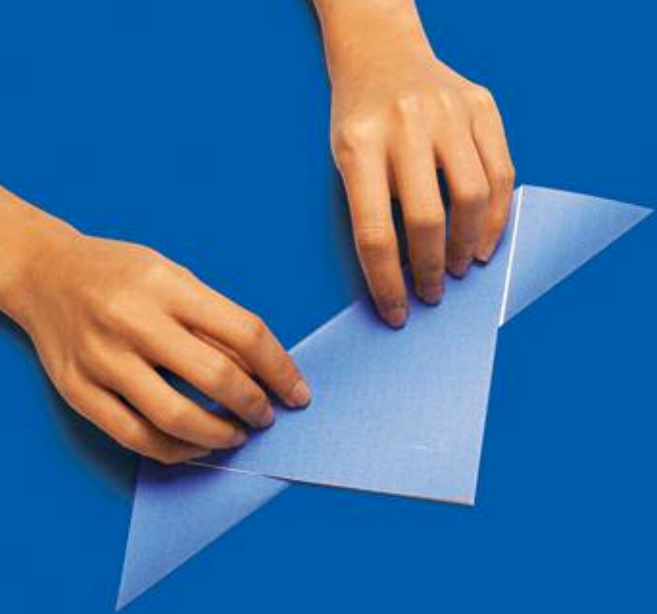


www.boustead.com.my

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

shaping a journey of excellence

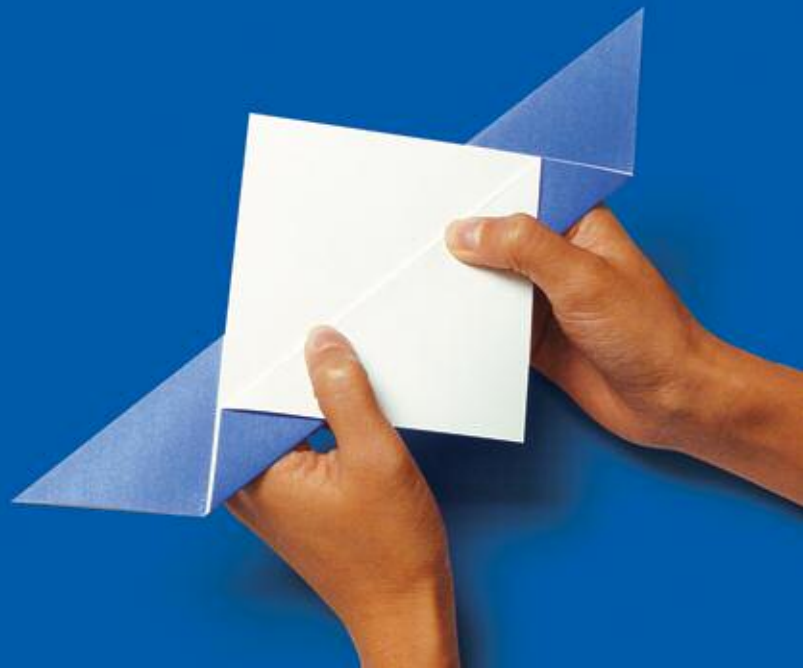




shaping a journey of excellence

This year's cover design which depicts origami is apt as this art of paper folding creates a given result using geometric folds and crease patterns. This depiction reflects our carefully crafted business objectives for the Group.

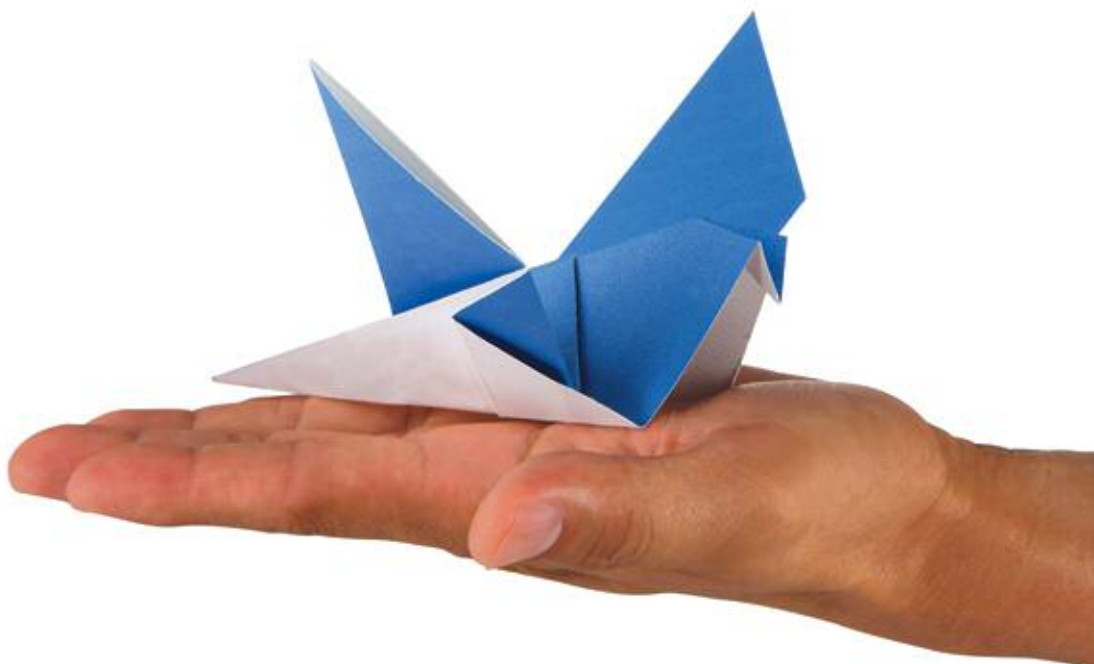
Origami is normally used without gluing or cutting the paper and yet it achieves its results of producing unique designs. Mirroring this aspect, the Boustead Group is committed to creating value without cutting corners and excel no matter what the difficulties that lie ahead.



Contents



2	Chairman's Statement	44	Corporate Information	147	Boustead Group
8	Chief Executive's Review	45	Financial Calendar	152	Additional Disclosures
12	Plantation Division	46	Board of Directors	153	Recurrent Related Party Transactions
18	Heavy Industries Divison	48	Profile of Directors	158	Top 30 Properties of the Group
22	Property Division	52	Senior Management Team	160	Group Oil Palm Agricultural Statistics
26	Finance & Investment Division	58	Audit Committee Report	161	Plantation Area Statement
30	Trading Division	62	Statement on Corporate Governance	162	Location of Group Plantations
34	Manufacturing & Services Division	69	Directors' Responsibility Statement	164	Shareholding Statistics
38	Corporate Social Responsibility	70	Statement on Internal Control	166	Statement of Directors' Interest
42	Five-Year Financial Highlights	73	Financial Statements	167	Notice of Annual General Meeting
				171	Statement Accompanying Notice of Annual General Meeting
					<ul style="list-style-type: none">• Proxy Form



Chairman's Statement

Dear Shareholder,

If indeed there was a challenging year for the Group over the last two decades, 2008 came very close to be one of the most challenging ones for us. Uncertainty seems to abound from all spheres, internationally, regionally and of course domestically.

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





In the midst of these circumstances, the Boustead Group has remained resilient, registering an increase in profit after tax of RM668 million compared with the previous year's RM655 million. Despite the challenging market conditions, the Group has realised most of its targets in delivering positively to the bottom-line.

I am pleased once again to present you with our annual report for the year ended 31 December 2008.

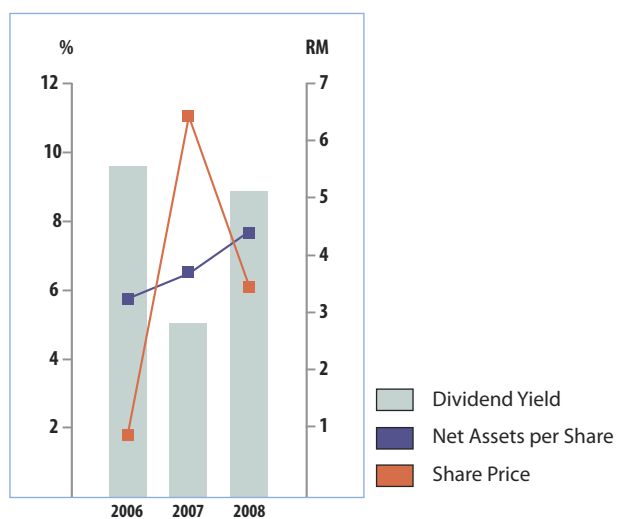
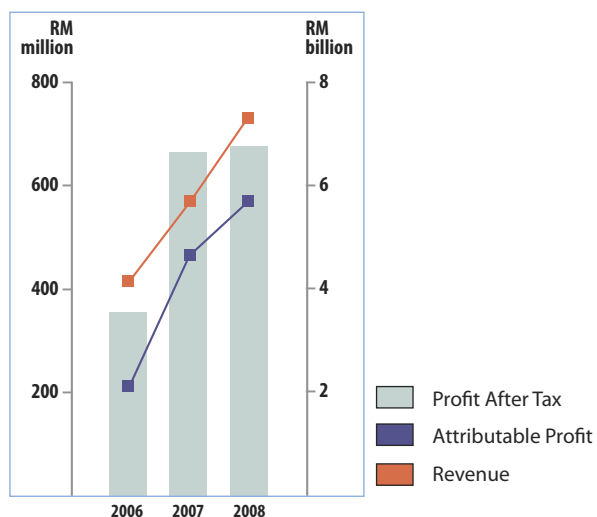
ECONOMIC LANDSCAPE

The global economy has been hard hit particularly the European and American zones which saw a massive falling out of their equity markets, which then led to an unprecedented impact on their respective economies. Leading nations in Asia have not been spared in the aftermath of what took place in the Western economies.

The Malaysian economy for 2008 has also seen a tightening in certain sectors. Global uncertainties haunt us, even as the Government has put in place stimulus packages. We expect such good measures to mitigate the global economic fall-out that has yet to reach our shores completely.

The domestic economy underpinned by Malaysia's rich diversified sources of revenue along with strong fiscal measures such as keeping interest rates low and extending sectoral assistance will augur well in preparing for what may come our way. In addition, the real economy is in good shape despite the local capital market having softened to some extent.

Chairman's Statement



FINANCIAL PERFORMANCE

Our Plantation and Property Divisions took center stage in delivering record profits while the Heavy Industries Division delivered another year of strong profit accompanied by satisfactory results from the Manufacturing and Services Division. The Trading Division recorded a loss as a result of extreme volatility in crude oil prices globally. The Finance and Investment Division was also hit with a modest loss due to funding cost of investments acquired and impairment losses.

Profit after tax increased to RM668 million compared with RM655 million a year ago. Profit attributable to shareholders jumped significantly to RM579 million compared with RM478 million last year. These improvements were due to the drop in minority interests



Floating hotel under construction.

and lower tax expenses as a result of a writeback of deferred tax. Tax exemption was granted by the Inland Revenue Department for our vessel construction project. We recorded a pre-tax profit of RM679 million compared with RM829 million last year.

Earnings per share ended at 91 sen (2007: 79 sen) and net assets per share was RM4.47 (2007: RM3.75). Shareholders' funds stood at RM2.9 billion for the year ended 31 December 2008 compared with RM2.4 billion a year ago.

DIVIDEND

We are conscious of the gloomy economic backdrop that prevails. Being committed to provide investors with positive yields which are hard to come by during such

times, the Group is maintaining a dividend payout of 30 sen per share. To date, dividends totaling 17.5 sen have been paid. The remaining 12.5 sen will be paid on 18 May 2009 to shareholders on the register as at 30 April 2009.

HUMAN CAPITAL DEVELOPMENT

Boustead has the responsibility of ensuring that our employees have the relevant skills to contribute positively to the Group's performance. In view of this, we completed various training programmes to provide our staff with the necessary skills to ensure they reach their potential. This year, we introduced new developmental programmes for our non-executive employees specifically secretaries, supervisors, clerical and non-clerical staff.

Chairman's Statement



We believe that experience is the father of wisdom. As such, we remain committed to continuing our Internship Programme. In line with this, we recruited a batch of unemployed graduates as interns to provide them with hands-on training to equip them with sufficient skills and knowledge to gain employment in the future. We also provided them with classroom style training sessions as well as mentorship with our managers.

The current volatile economic landscape has also brought into focus the need to be more prudent and vigilant particularly from a human resource perspective. We expect our employees to be conscientious and ensure their work performance is never compromised. Commitment and

efficiency has always been a priority area and we will continue on this course given the fact that the Group is insistent on ensuring future growth.

OUTLOOK

With so much already analysed about the year 2009 accompanied by inflation risk and economic imbalances, it might be hard to remain positive. Nevertheless, we shall remain positive.

Malaysia has seen many challenges in its 51 years of independence. I am certain we will weather through 2009 as well. Your Group is built on a strong foundation which



Asia Pacific Entrepreneurship Awards 2008



will most certainly see us through the volatility of the coming year. Suffice to note, we will increase productivity and deliver another year of satisfactory returns.

ACKNOWLEDGEMENT

Our growth to date has been a collective effort. I would like to express my sincere appreciation to my fellow Board members for their support and contribution. My condolences to the family of our director, the late Tuan Hj. Johari Muhamad Abbas who passed away in May 2008. Allahyarham Tuan Hj. Johari was a worthy Board member and advisor to the Group. We have benefited from his vast knowledge and his counsel will be greatly missed.

As we conclude the financial year, my appreciation to the management team and our employees for their dedication and commitment. I extend my deepest gratitude to our shareholders, financiers, business partners, consultants and relevant approving authorities who have cooperated and worked alongside with the Group to achieve our goals.

A handwritten signature in black ink, consisting of a stylized 'G' followed by a horizontal line and a small flourish.

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

Chairman

3 March 2009

Chief Executive's Review

Dear Shareholder,

The cornerstone of your Group's success lies in our ability to leverage on our core streams of business. This is all the more crucial at times like these when economic uncertainties seem so evident.

TAN SRI DATO' LODIN WOK KAMARUDDIN
Group Managing Director



Against this backdrop, I am glad to note that the Boustead Group has achieved top-line and bottom-line growth. I must admit, it has not been easy to do so given the context of the year.

FINANCIAL PERFORMANCE

As you will note from our results, profit attributable to shareholders increased to RM579 million compared with RM478 million a year ago. A large portion of this increase was from two major contributors, Boustead Plantations Berhad and Boustead Properties Berhad. As these companies are now wholly owned, there are no profits accruing to minority shareholders.

These results were achieved on the back of a significant 22% jump in turnover amounting to RM7.03 billion. Testament to our sustainable organic growth, it provides validation of our desire to manage our six divisions under one consolidated conglomerate.

We are heartened that in spite of the trying conditions we have exceeded on all our key performance indicators (KPI) for GLC's, except one.

KPI	Actual	Target
Return on Equity (ROE)	22.0%	14%
Return on Assets (ROA)	9.7%	11%
Dividend	60%	40%

In keeping with our plans, we have reduced our gearing from 1.4 to 1.2 times despite the increase in borrowings to RM3.5 billion. The single primary factor for this reduction was the increase in shareholder funds to RM2.9 billion. The Board is aware of our responsibility to further reduce gearing and is reviewing various means to do so in the foreseeable future.

Although crude palm oil (CPO) saw highly volatile price movements, the Plantation Division achieved commendable results delivering very strong profits for the Group. Our focus on improving yield and strengthening oil extraction rates was on going as we pursued various measures for our plantations.

The Property Division set a significant benchmark, registering a large jump in profit. This was primarily attributable to the sale of corporate lots at our highly successful Mutiara Damansara development in Selangor.

Our Heavy Industries Division registered a lower profit due to lower progress billings. The Finance and Investment Division recorded a modest loss reflective of adverse market conditions accompanied by higher interest costs and impairment of investments.

The Manufacturing & Services Division performed well despite very tough operating conditions, particularly on the domestic front. Unfortunately, our Trading Division was not spared due to the sharp volatility of crude oil prices globally. This single factor caused the Division to register a loss which demonstrates the impact external factors can have, no matter how resilient the Group is.

CORPORATE INITIATIVES

Continuing on our course to improve our investments and extract greater value from our businesses, we undertook a major exercise which saw the privatisation of our listed property arm. We view the property sector as a cornerstone of the Malaysian economy and with the market maturing, particularly in the areas of business we are involved in, it was imperative that we remain focused on anticipating market trends and keeping the competition at bay. Its impact has been immediate, given the reduction in minority interests.

Chief Executive's Review

Given our intention to build the hospitality business further, we are in the final stages of completing our acquisition of Royale Bintang Seremban which was formerly known as the Hilton Seremban. Our confidence in Mutiara Damansara is unwavering, as such we are in the midst of finalising the acquisition of the remaining 50% of Cineleisure Damansara not held by the Group. This will give us the opportunity to own and manage two premium shopping centres within this vibrant commercial enclave.

As I have noted on numerous occasions, the Boustead Group is serious about unlocking value and disposing of non-core assets or businesses that do not have a role in enhancing the Group's potential. In our efforts to maintain only strong yielding plantation assets, we disposed of loss-making PT Anam Koto estate in Indonesia for a total cash consideration of RM34 million.

Under the Asset Backed Securitisation structure undertaken in 2005, we exercised our first call option during the year whereby we bought back 3,700 hectares of plantation assets. We subsequently injected these assets via a sale and leaseback arrangement into the Al-Hadharah Boustead REIT. This exercise netted the Group a gain of RM75 million while maintaining the productive use of the assets and increased our stake in Malaysia's only Islamic plantation real estate investment trust.

OUTLOOK

The Boustead Group has an interest in multiple sectors of the Malaysian economy. As such, I am confident we will weather this economic storm, more so as we enter the new year with our solid track record in place.

The Plantation Division will face volatility as a result of the trend impacting CPO prices which will then have an effect on its profit contribution to our bottom-line. Nevertheless, as the Malaysian Government implements the usage of biofuel for government vehicles, this should drive demand for palm oil further. We are also heartened by the Government's replanting incentive which should have a positive impact on CPO prices in the foreseeable future.

I expect the Property Division to feel the heat of the economic weather in the coming financial year. Nonetheless, I am optimistic that our very viable developments in Selangor and Johor along with our investment properties will perform well.





The hospitality business has established itself and its recent achievement will be the management of the Royale Chulan Kuala Lumpur, a 5-star 400-room masterpiece in the heart of the capital. We will also be completing the construction of Royale Bintang Penang in Weld Quay, George Town and commencing work on Royale Bintang Surian which will complement the existing Royale Bintang Damansara. With the completion of these initiatives, we will have six hotels managed by us.

Our Heavy Industries Division is expected to deliver strong recurring profits thanks to the patrol vessel project, a positive orderbook for commercial marine projects and our foray into the oil and gas segment.

The Finance and Investment Division will be burdened by a downtrend in investment banking and stock broking businesses given depressed market conditions. However, I am optimistic that the consumer banking segment of this Division will perform well in the coming financial year.

The Manufacturing and Services accompanied with the Trading Divisions will need to review cost structures, increase productivity and find all means possible to generate earnings in challenging market conditions. On this score, BH Petrol is already exploring prospects to make further inroads into the liquefied petroleum gas segment.

Our goal during these trying times will be in the form of unlocking value, organic growth, reducing gearing and generating earnings. We are fully aware of our responsibility to our stakeholders, along this premise we will plough through this year, certain that hard work coupled with innovative ideas is the only way forward.

The following pages will provide you with an indepth perspective of the developments that have taken place at divisional level. I trust you will find it insightful and informative. This year we have included a new section in our annual report highlighting our social responsibility initiatives which reflects our role as a responsible corporate citizen. We remain committed and we look forward to a collective positive effort to pull through the coming year.

TAN SRI DATO' LODIN WOK KAMARUDDIN

Group Managing Director

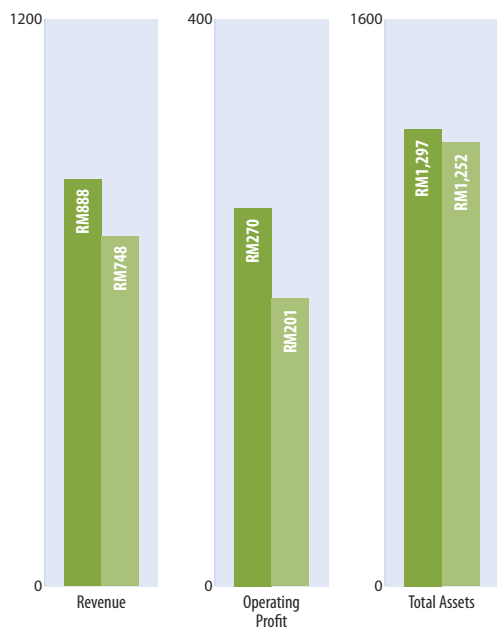
3 March 2009

Plantation Division

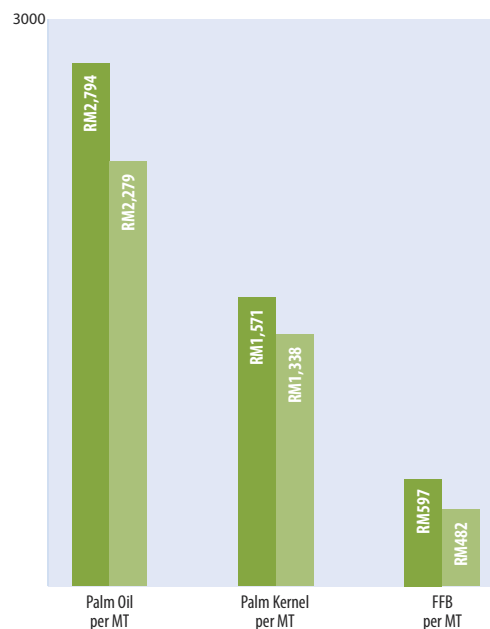


**RM270
million**

The Division recorded a significant **profit amounting to RM270 million** compared with last year's RM201 million. This was despite a sudden drop in CPO prices from a historic high of RM4,400 per MT during the first half of the year to a low of RM1,390 per MT during the second half.

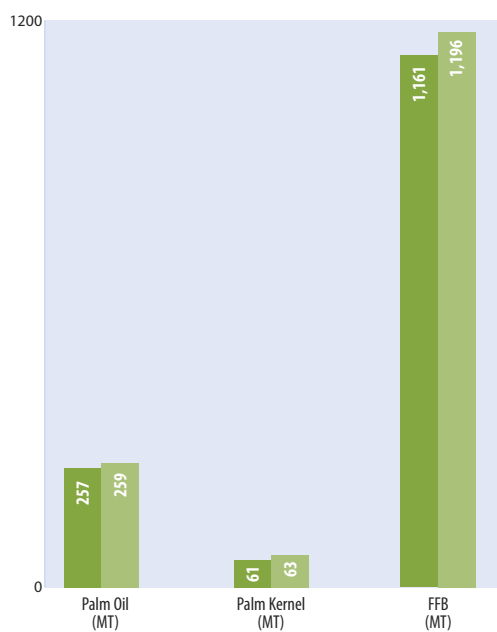


Financial Highlights (RM Million)

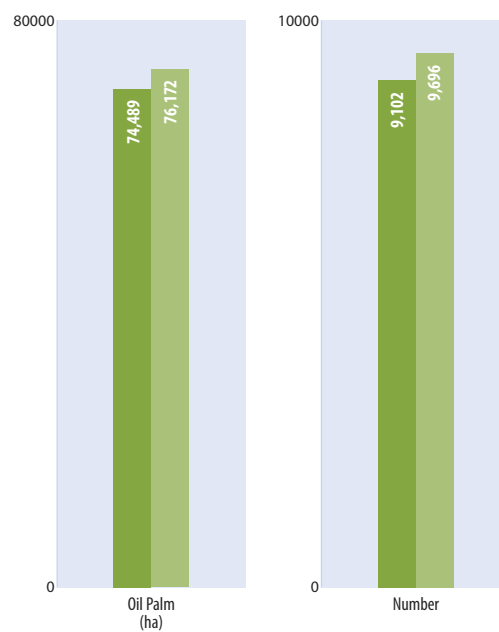


Average Prices (RM)

2008
2007



Production ('000)



Planted Area

Employees

Plantation Division

The Division was the major contributor to the Group's bottom-line, recording a substantially higher profit. Record CPO prices saw the Division register a higher average selling price of RM2,794 per MT compared with RM2,279 per MT, an increase of 23% from a year ago. These results were achieved despite the sharp correction in CPO prices during the second half of the financial period.

MARKET REVIEW

This was a record year for the palm oil industry. Never has this sector seen CPO trading above RM4,400 per MT. Unfortunately, all good things must come to an end, as CPO prices spiralled downwards hitting an industry low of just

under RM1,400 per MT. Other commodities followed suit, with prices of crude oil, platinum, steel, copper and zinc decreasing by 35% to 40% by the tail end of 2008, while agro-based commodities such as corn and soybean came off by 50% to 60%.

Despite the sudden drop in prices, palm oil will continue to gain a strong footing as it is the undisputed vegetable oil that has gained appeal of the world population. As demand for this much needed commodity grows and with an expected reduction in global stocks, early forecast point to below normal yields of soybean crop prospects. We expect a strengthening demand for Malaysian palm oil, especially if South American crop prospects deteriorate further.



ESTATE AND MILL OPERATIONS

The total land bank under our management was 97,933 hectares (ha) of which 74,489 ha was under oil palm cultivation. Our prime mature fields increased by 113 ha, bringing total mature areas to 67,781 ha. The immature area was 6,708 ha.

Fresh Fruit Bunches (FFB) production was 1,161,000 MT, a drop of 3%. Production cost was higher at RM236 per MT, above last year's cost of RM180 per MT. This was driven primarily by higher wages from stronger CPO prices, accompanied by escalating cost of fuel that resulted in higher fertiliser cost as well as fuel related materials.

In our bid to continuously reduce costs and enhance yields, our estates are successfully adopting various precision farming techniques such as our very own in-house Boustead-Applied Agriculture Research Management Information System – Map Management system, which has been assisting us in improving yields and field upkeep standards. Additionally, infield mechanised collection along with the use of mechanised fertiliser spreaders is now more widespread amongst our estates.

Currently, we are at the early stages of introducing compact oil palm planting material. The shorter frond and slower height increment will enable us to increase oil palm stand per ha from 136 to 160 stands. For 2009, we are aiming to plant 200 hectares using compact oil palm planting materials.



Biotherm Palmass Plant



EFB Pretreatment Plant

Plantation Division

The Division's eleven mills, out of which nine are accredited with the ISO9001:2000 Quality Management System, processed a total crop of 1,294,000 MT. Oil extraction rate has remained steady at 19.9% while kernel extraction rate was 4.7% compared with last year's 4.9%.

We are introducing our first composting plant which will convert palm oil mill effluent and empty fruit bunches into fertilisers. In the long term, we expect such efforts to reduce fertiliser cost which should have an impact on the Division's bottom-line.

The Division's Group Engineering Department has been certified by SIRIM QAS International for its expertise in Mill Management and Engineering Consultancy Services. This department has also secured the consultancy for the construction of a new 40/60 MT per hour capacity mill for a reputable client in Sarawak.

RESEARCH AND DEVELOPMENT

The clonal planting materials developed by Applied Agricultural Resources Sdn Bhd (AAR) for commercial planting continues to impact our estates positively. For the year 1,795 ha have been replanted with these clones bringing the total area planted to 8,029 ha. Over the long term, we are confident oil yield per ha will improve, thanks to such research developments.

AAR's efforts to expedite oil palm genetic development have resulted in it embarking on joint molecular and biotechnology research programmes with the University of Nottingham Malaysia Campus. With this project, we expect to develop biotechnological methods that are rapid, sensitive and reliable to complement our plant breeding, tissue culture and agronomy activities. In addition, AAR has commenced a collaborative research with the Malaysian Palm Oil Board on embryogenesis to improve tissue culture protocol.



OUTLOOK

We expect CPO prices to remain steady with the Government's proactive measures to incentivise replanting and increase demand through implementation of a biofuel policy.

As we take steps to comply with the Roundtable on Sustainable Palm Oil (RSPO) requirements, we are confident once this certification is in place, our potential to grow new markets will strengthen. We are working towards certification of all our estates by 2015.

The prospect of increasing hectareage continues to be a dimming one given that good yielding plots of land are few and far between. Our focus then is to maintain strong yielding plantation assets.



Boustead Plantations receives 'Industry Excellence Award'



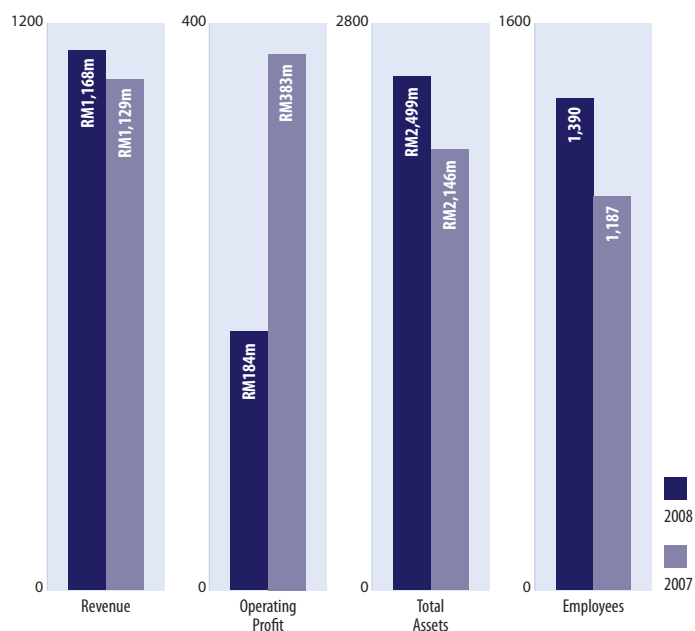
Heavy Industries Division



KD Perak

RM184 million

The Division **registered a profit of RM184 million** on the back of a strong orderbook. Its primary thrust is in shipbuilding, fabrication of offshore structures as well as repair and maintenance of vessels and equipment.



Financial Highlights

BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD (BHIC)

This listed entity has performed well, increasing its orderbook with a revenue of RM496 million, a four-fold increase from RM117 million achieved last year. In line with this growth, its contribution prior to share of profit from its associate Boustead Naval Shipyard Sdn Bhd (BN Shipyard) was a significant RM90 million against last year's RM25 million.

We are intensifying our involvement in the oil and gas sector as we obtained our licence from Petroliam Nasional Berhad. This effort brought about a contract from Carigali-PTTEPI Operating Company Sdn Bhd to provide engineering, procurement, construction and on-shore commissioning of the Muda living quarters building which is currently under construction at our Jerejak Yard in Penang.

The construction of several marine vessels including three chemical tankers and one 60-metre well testing and servicing vessel is underway. In addition, two contracts from Swire Pacific Offshore Operations Pte Ltd to construct hulls for two accommodation work barges were secured.

BHIC continues to explore potential business opportunities focusing on higher value added projects through strategic alliances and partnerships. To strengthen our competency in shipbuilding, we have formed a joint venture company with Yonca-Onuk Savunma Sanayii A.S. Turkey to build, market and sell fast patrol crafts. The boats are capable of carrying out a wide range of coastal water law enforcement duties including search and rescue as well as protection of offshore installation structures.

Rising direct costs and operating expenses due to sharp increases in raw material and fuel prices are challenges that will impact this listed entity moving forward.

Heavy Industries Division

BOUSTEAD NAVAL SHIPYARD SDN BHD

BN Shipyard registered a profit of RM116 million due to lower progress billings based on milestones achieved. In addition, the previous year's profit included write backs from revived projects which did not occur for this financial year.

Construction and final outfitting of the remaining four patrol vessels are ongoing and delivery to the Royal Malaysian Navy (RMN) is scheduled in 2009 and 2010. The company engages in repair, overhaul and conversion work of other RMN vessels. The services provided range from minor repairs to the provision of support services, which include supplying spare parts, provision of preventive and corrective maintenance programmes and logistics support.

The naming ceremony of PV5 (KD Kelantan) by DYMM Raja Perempuan Kelantan, Tengku Anis binti Almarhum Tengku Abdul Hamid in the presence of KDYMM Al-Sultan Kelantan Tuanku Ismail Petra Ibni Almarhum Sultan Yahya; YTM Tengku Mahkota Kelantan, Tengku Mohd Faris Petra Ibni Sultan Ismail Petra; Chief of Navy, YBhg Laksamana Dato' Seri Abdul Aziz Haji Jaafar; Deputy Minister of Defence, YB Dato' Wira Abu Seman Haji Yusop; YBhg Tan Sri Dato' Lodin Wok Kamaruddin and YBhg Laksamana Madya Dato' Seri Ahmad Ramli Haji Mohd Nor (R).



Moving beyond naval contracts, our Lumut Yard undertook the construction of a 60-metre anchor handling tug supply vessel and construction of a hull for a floating hotel. Both are scheduled for delivery within the first half of 2009.

This Division is leading the way in developing a vendor programme for the maritime industry in Malaysia. The initiative will bear long term benefits as it will strengthen the sector and provide Malaysia a more competitive, competent and self reliant industry.

A significant milestone towards this effort was the conclusion of a Memorandum of Understanding (MoU) between BN Shipyard, the Government of Malaysia via the Ministry of Entrepreneur and Cooperative Development and SME Bank. The MoU provides the basis for the three parties to render assistance in various areas with the objective of grooming local vendors into capable entities.



Servicing a vessel gearbox.



Lifting of a vessel engine.



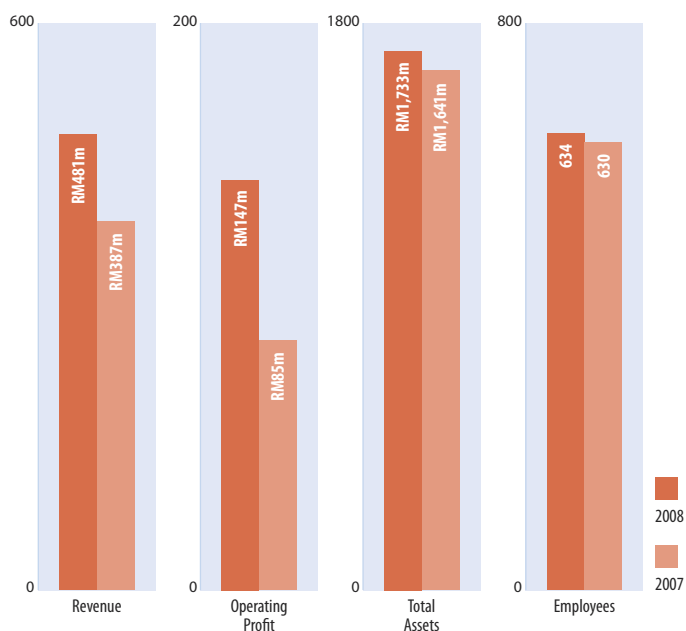
Anchor handling tug services

Property Division



RM147 million

The Division maintained its position as a strong contributor to the Group's bottom line, registering a significant 73% jump in **profit to RM147 million**, its best profit performance to date, compared with RM85 million last year.



Financial Highlights

Our philosophy of taking a long term view in our investments and strategies for this Division over the last few years is bearing fruit as it delivered strong earnings.

This performance stems primarily from the contribution of property development activities at its well-established townships of Mutiara Damansara in Selangor and Mutiara Rini in Johor. In addition, the Division enjoyed fair value gains on its investment properties.

PROPERTY DEVELOPMENT

From the onset, the Group has been committed to 'set the pace' in terms of product quality, facilities and amenities as well as innovation in developing our existing landbanks into vibrant residential and commercial townships.

This all-encompassing philosophy has paid off handsomely, especially in our signature lifestyle and sub-urban township of Mutiara Damansara. When it was launched eight years ago, the average value of the land was RM99 per square foot. Today, it has soared to RM380 per square foot.

In addition, we earned a placing amongst the Edge's Top Ten Property Developers for 2008. This is the fourth time we have won this award.

The Property Development segment registered a profit of RM104 million, a 74% increase compared with a year ago, primarily from the sale of its corporate lots in Mutiara Damansara.

The township also saw the completion and successful handing over of 54 units of semi-detached and super-linked homes to proud new homeowners. Meanwhile, a total of 123 units of semi-detached and super-linked homes along with nine bungalow units are still under construction.

Mutiara Damansara will soon be sporting an iconic landmark in the form of Surian Tower which is being built on behalf of Lembaga Tabung Angkatan Tentera. Set to be completed by the first quarter of 2009, this 26-level Grade A office building anchoring the township's commercial hub has already been well-received with over 40% of its space being reserved by multi-national companies. The tower will be linked to Cineleisure Damansara as well as the soon-to-be constructed Royale Bintang Surian Hotel.

Property Division

In Johor, Taman Mutiara Rini saw the handing over of a total of 229 units of shops and terrace houses during the year. At the same time, we also successfully launched 256 units of single and double-storey terrace houses, which were well-received by both homeowners and investors despite the challenging economic landscape.

PROPERTY INVESTMENT

The most basic rule of property investment is location, which becomes all the more important during uncertain market conditions. On this score, our investment in properties that are located in prime areas augur well for us as these properties continue to deliver stable and recurring returns.

Three office properties in the heart of KL's central business district, namely Menara Boustead, Wisma Boustead and Menara Affin, saw an increase in rental rates at the

beginning of the year. Coupled with the almost 100% occupancy in these premises throughout the year, the Property Investment segment was able to deliver good returns.

Our investment in the Curve also experienced significant improvements after the initial incubation period. This shopping centre has indeed come of age in terms of being one of the most innovative and well-supported lifestyle shopping destinations in Malaysia. It now enjoys an almost full occupancy rate and today there is even a wait list for prime retail lots.

Several international retailers were brought into the Curve such as Bubba Gump & Shrimp, Debenhams, Garmin, Daiso, Ideko and The Face Shop. As retailers continue to do well, Metrojaya and FOS have also expanded their stores to meet with the demand of more than two million visitors who shop at the Curve every month.



As the retailers enjoy the ever-growing influx of shoppers to the Curve, the venue also benefits from its growing popularity as a centre for events and promotions. The Curve played host to a series of major and high-profile events including CLEO magazine's Most Eligible Bachelor 2008, CIMB Malaysian Open Squash Tournament 2008, BHP Orange Run and NTV7's Futsal Euro Challenge, amongst many others.

Cineleisure Damansara has also made its mark as an entertainment hub for young adults with its numerous youth, lifestyle-based retail activities and its anchor cineplexes. We are confident it will continue to grow dynamically more so as further enhancements are currently being undertaken to improve connectivity with other surrounding buildings.

With the maturity and growth of Mutiara Damansara's retail hub, we plan to redevelop the present McDonalds' drive-thru restaurant into a multi-storey car park to accommodate an additional 800 bays and at the same time provide space for a new drive-thru restaurant, offices and indoor theme park.

The Property Investment segment is also expected to benefit from our highly exclusive 43-unit condominium called 183 Ampang. Strategically located close to the British High Commissioner's Office, this high end condominium will be ideal for the high net-worth market segment.

HOSPITALITY

The hospitality segment holds much potential for the Group as demonstrated by our existing hotels, the Royale Bintang Kuala Lumpur and Royale Bintang Damansara which enjoyed an average occupancy rate in excess of 80% and 90% respectively. We have also been managing the Royale Bintang Seremban, a 5-star 300-room hotel located in the Lake Gardens district of Seremban.

Moving forward, the recent listing of George Town as a UNESCO World Heritage site, will strengthen the appeal of Royale Bintang Penang at Weld Quay, as a popular tourist and family holiday destination.

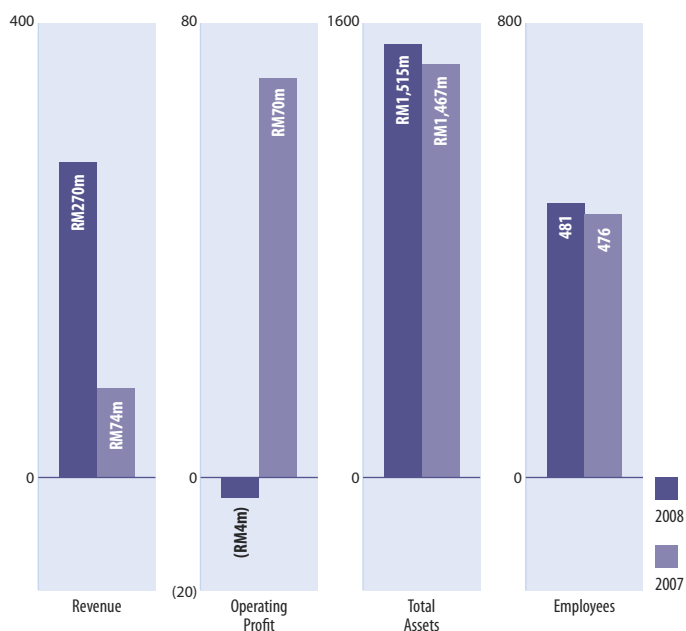


The Royale Bintang Seremban



Finance & Investment Division





Financial Highlights

Impacted by global market conditions, higher interest costs as well as impairment of investments, the Division recorded a loss of RM4 million.

Nevertheless, the key contributor to the Division, **Affin Holdings Berhad (Affin Group)**, closed the year with a record profit of RM404 million compared with RM353 million last year as a result of positive contributions across its core businesses.

Affin Bank Berhad (Affin Bank) closed the year with a profit of RM414 million, its highest to date, compared with RM264 million last year.

The Bank also made significant progress in loan recovery where it successfully reduced its non-performing loans (NPL) ratio from 8.38% to 3.49%. As testament to the Bank's commitment towards managing NPLs and its goal to achieve a double-A rating in the foreseeable future, the long term credit rating was upgraded a notch, from A3 to A2, by Rating Agency Malaysia while its short term rating was reaffirmed at P1.

In terms of strengthening its position as a niche mid-sized participant in the local banking sector, the Bank successfully introduced various innovative products and services catering specifically to its target market segment. One of these initiatives was the launch of its retail internet banking portal, which was designed to assist customers with banking transactions that are easy, convenient and safe.

Finance & Investment Division

Affin Investment Bank Berhad (AIBB) recorded a loss as it undertook steps to improve the quality of its balance sheet by making necessary provisions for legacy loans. Operationally, AIBB's research team performed well for the year and was ranked amongst the top 10 of ASIAMONEY's Brokers Poll in the Best Local Brokerage category.

AIBB continues to be involved in several notable corporate financial advisory initiatives for its clients during the year. This included being the principal advisor for a conditional takeover, the privatisation of a listed entity and the disposal of significant assets. It was the main advisor for a proposed debt restructuring as well as the independent advisor for a proposed voluntary take-over.

Affin Islamic Bank Berhad (Affin Islamic) registered a profit of RM41 million compared with RM58 million last year. The year saw many successes for Affin Islamic as it embarked on Malaysia's first hybrid Musharakah financing agreement for a land development project. It also introduced Asia Pacific's first Islamic Bank Debit MasterCard which offers cardholders' acceptance at merchant locations around the globe.

AXA-AFFIN General Insurance Berhad registered a reduced profit of RM24 million, reflecting the general trend experienced by all insurance companies under the current economic conditions. Though gross premium grew by 68%, higher claims and lower investment income reduced overall profitability. The life insurance business under *AXA-AFFIN Life Insurance Berhad* recorded a lower loss through effective management of operating expenses and increased revenue.



BH Insurance Berhad recorded a profit of RM27 million particularly from synergies within the Boustead Group. This is demonstrated by the fact that gross premium written and underwriting segment saw strong jumps of 10% and 67% respectively. Its motor segment's gross premium increased by 21% due to the expansion of its agency network and organic growth. Engineering insurance grew 38% specifically from its clientele base of independent power producers. BH Insurance opened its Sungai Petani branch to serve its growing clientele base in the northern region of Peninsula Malaysia.

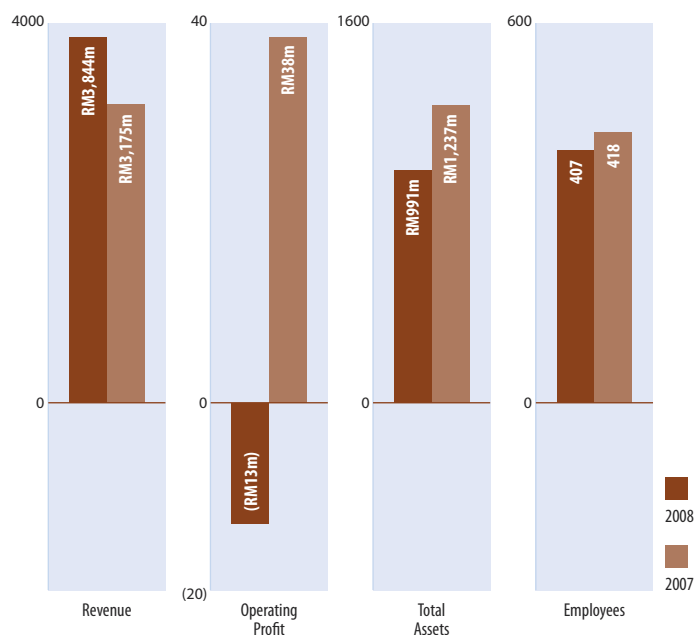
Though BH Insurance had contributions from investment income, the fallout from the equities market and the provision for diminution in value of investments resulted in lower investment income. This resulted in a return on capital of 6% compared with 11% in 2007. Solvency margin remains strong at 181% with a surplus of RM148.5 million over the statutory solvency minimum requirement.

Despite the slowdown in the second hand car market, **Boustead Credit Sdn Bhd** was able to improve on its performance on the back of increased new loans and lower bad debts provisioning.



Trading Division





Financial Highlights

The Trading Division suffered a loss of RM13 million due to the sudden drop in global crude oil prices in the second half of the year which in turn impacted the petroleum marketing business.

Boustead Petroleum Marketing Sdn Bhd (BH Petrol) posted a smaller profit as a result of substantial inventory holding losses. BH Petrol invested a total of RM38 million to strengthen its market position in the retail petroleum, liquefied petroleum gas (LPG) and lubricant businesses. A significant portion of this investment was for the acquisition and construction of twelve new service stations strategically located across Peninsular Malaysia.

Meanwhile, BH Petrol's brand awareness and market acceptance continue to be enhanced via effective marketing programmes. Testament to this is the growing popularity of its Infiniti brand of petrol based on customer feedback and increase in customer usage.

We also remain committed to growing our non-fuel business, specifically the service station's retail segment. In the LPG segment, BH Petrol completed the acquisition of the remaining 50% of the LPG bottling plant in Pasir Gudang.

Boustead Engineering Sdn Bhd turned in another profitable year with the completion of the baggage handling system at Kuala Terengganu Airport, as well as the supply of engineering products to the oil and gas industry.

Trading Division

Kao Malaysia Sdn Bhd made progress on its recovery plan, registering a 7% increase in sales volume. New and innovative products as well as a better sales mix of higher margin products contributed to this development.

Boustead Global Trade Network Sdn Bhd derived positive earnings growth from its warehousing and logistics operations as well as its insurance agency business. Its operations continue to receive the support of principals, namely Sara Lee and Riche Monde.

The insurance business earnings growth was achieved via an increase in new classes of coverage offered, including the marine builder's all-risks policy for the ship building industries. In addition, it was appointed as a Takaful agent, bolstering its prospects for further growth.

Riche Monde Sdn Bhd remained profitable as all of its key brands recorded positive growth both in the domestic and duty free channels due to its effective marketing initiatives.



Launching of BHPetrol.Iru1 Racing Team

Boustead Building Materials Sdn Bhd had a good year arising from the successful completion of Hospital Angkatan Tentera and the Royale Chulan Kuala Lumpur projects. These results were also due to higher selling prices and favourable margins derived from a better product mix of building and construction materials.

Boustead Emastulin Sdn Bhd underwent a rationalisation exercise that resulted in a reduction of losses. It became a distributor of Chery Alado vehicles in Malaysia.

Drew Ameroid Sdn Bhd closed the year with a higher profit on the back of an increase in revenue despite competition in the water treatment chemical market. It also expanded its business base, achieving growth by pursuing global accounts via its association with the US-based Ashland Inc.



Johan Ceramics' tiles on display



Hyperbaric Chamber

Manufacturing & Services Division



RM20 million

Amidst a challenging period marked by a slowdown in demand, the Division closed the year with a **profit of RM20 million** compared with RM10 million achieved in 2007.