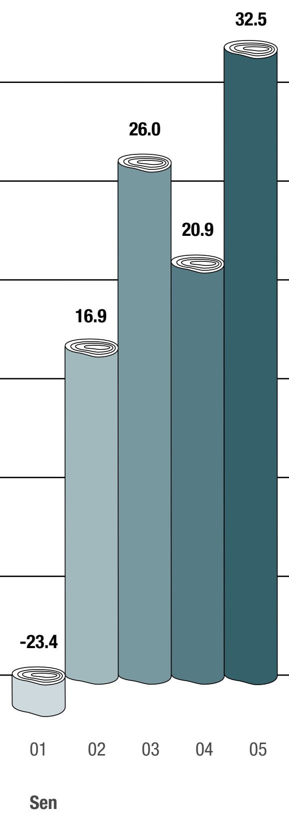
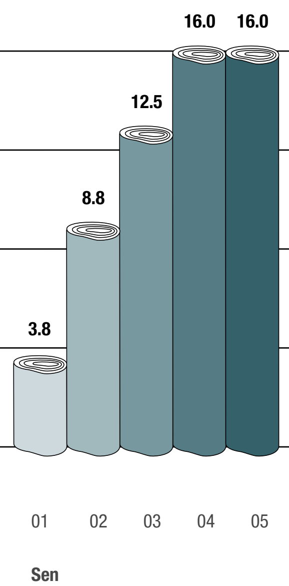
Five Year Group Financial Highlights

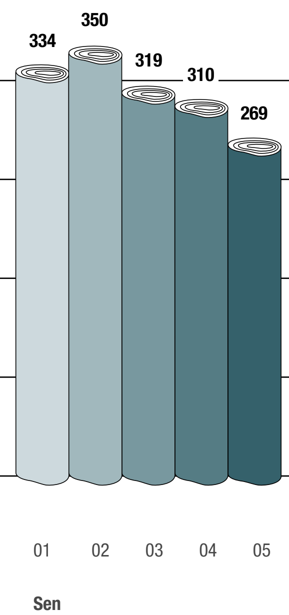
Earnings Per Share



Dividend Per Share



Net Tangible Assets Per Share



		2005	2004	2003	2002	2001
For Year Ended 31 December (RM Million)						
Revenue		**1,924**	1,268	1,081	983	1,024
Profit before taxation						
— Plantation		**134**	101	115	93	52
— Property		**55**	109	94	70	99
— Finance & investment		**73**	13	(16)	(8)	(188)
— Trading		**22**	2	—	(20)	(9)
— Manufacturing & services		**16**	22	15	17	22
		300	247	208	152	(24)
Profit/(loss) attributable to shareholders		**191**	119	113	69	(77)
Dividends		**68**	67	44	17	7
Profit/(loss) retained		**123**	52	69	52	(84)
At End of Year (RM Million)						
Paid-up share capital		**296**	290	273	136	136
Shareholders' equity		**1,703**	1,800	1,743	1,434	1,371
Total assets employed		**5,221**	4,643	4,341	4,048	3,955
Per Share (nominal RM0.50)						
Earnings	(sen)	**32.5**	20.9	26.0	16.9	(23.4)
Gross dividend	(%)	**32.0**	32.0	25.0	17.5	7.5
Dividend Yield	(%)	**9.0**	9.5	9.5	5.9	3.1
Dividend cover	(times)	**2.8**	1.8	2.9	2.7	(8.7)
Net tangible assets	(sen)	**269**	310	319	350	334
Share price – high	(sen)	**200**	190	220	230	262
Share price – low	(sen)	**167**	147	129	165	171
Price earning ratio	(times)	**5.4**	8.1	5.1	8.8	(5.1)
Financial Statistics						
Return on revenue	(%)	**9.8**	9.9	12.2	6.8	8.1
Return on average shareholders' equity	(%)	**10.8**	6.7	7.1	4.9	(6.7)
Interest cover (profit before interest: interest)	(times)	**3.7**	3.8	3.8	3.8	0.7
Gearing (borrowings: shareholders' equity)	(times)	**1.2**	1.0	1.0	1.1	1.2

Dear Shareholder

With a commitment towards achieving positive growth in our core businesses while prudently seizing opportunities that offer earnings enhancement, Boustead Holdings Berhad is well on track to deliver strengthened shareholder value. This is a direct result of the Group's *modus* of putting short term initiatives into effect decisively while persistently working towards its long term goals. With pleasure I present you with our annual report for the year ended 31 December 2005.

Naturally, during the year, various internal and external developments affected the Group's businesses in a multitude of ways. Be it opportunities or threats, it was with a commitment towards teamwork, hard work, planning and execution, that the Group as a whole was able to proactively respond to the ever-changing and ever-competitive environment.

We firmly subscribe to the belief that we are stronger cohesively than the sum of our parts and this is clearly reflected in our financial results. For the year under review, the Group achieved a pre-tax profit of RM300 million in comparison to last year's pre-tax profit of RM247 million. This result is a reflection of the corporate strategies that have come into play and the direction that we seek to cultivate towards sustaining our long term success. Be that as it may, the Group as it has during the year will adapt itself via strategic exercises that seek to further strengthen its operational efficiencies and effectiveness.

Chairman's Statement

ECONOMIC LANDSCAPE

From a global perspective, 2005 was a year of high oil prices. In September 2005, oil prices hit an all-time high of USD70 per barrel compared to a range of USD40-45 in the beginning of the same year.

Oil metaphorically and literally is the fuel that drives the engines of growth for most, if not all sectors across the globe. High oil prices have impacted all five divisions of the Boustead Group in various ways from increasing production costs to affecting supply and demand of products and services offered by the Group.

Despite this challenging macro economic environment, we continued to rationalise and consolidate our operating units in addition to diversifying our business portfolio through strategic acquisitions.

The United States interest rates hike in 2005 also reverberated throughout the world. With high interest rates affecting consumer demand, sentiments were weak in expectation of a slowdown in exports to the US.

The spectre of high interest rates has diminished at the end of the year, while oil prices are expected to remain high in 2006.

Closer to home, Malaysia continued to experience positive growth in 2005. Driving home this point, Bank Negara Malaysia cited Gross Domestic Product (GDP) growth for Malaysia at 5.3%. This also prompted the central bank to increase the benchmark overnight policy rate by 30 basis points.

Looking forward, GDP growth is expected to be driven largely by resilient domestic demand, which has shown exponential growth these past few years thanks to an increase in private consumption. This will of course bode well across all our divisions.

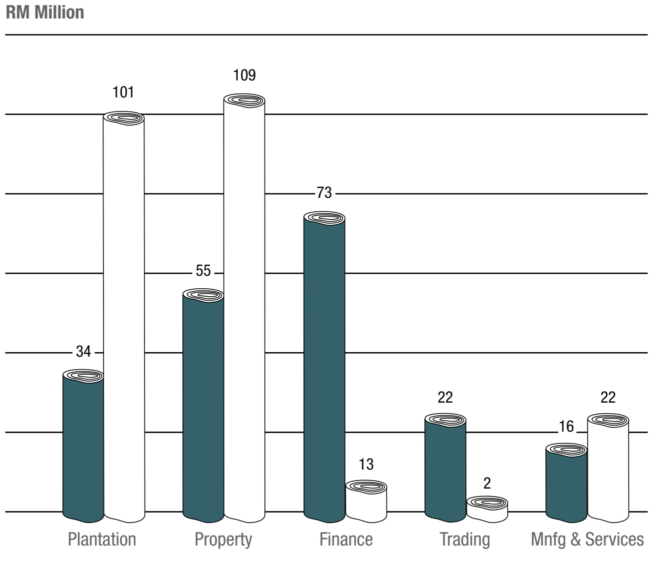
The Group is optimistic that the health of our country's economy remains in good form enabling us to stay on track with our plans and initiatives to retrieve maximum value from our businesses. This year, we have seen some of our plans taking shape and bearing fruit and as time progresses, we are confident that the Group will continue to deliver good returns to our shareholders.

FINANCIAL PERFORMANCE

The Group's financial results were driven primarily by our Finance and Investment Division and complemented by the Plantation, Property and Trading Divisions. The latter's contribution was by virtue of our acquisition of BP Malaysia Sdn Bhd which had a strong impact on the Division's profitability. At operating level we did experience a slide in profits due to lower contributions from the Plantation and Property Divisions. However, at Group level these effects were reversed by the exceptional gains derived from the Asset Backed Securitisation (ABS) programme where plantation assets were sold at a fair value to a special purpose vehicle, thereby realising a gain of RM163 million.

Profit attributable to shareholders was RM191 million compared to RM119 million last year. This was the result of successful operating performance of our core divisions coupled with the realisation of the inherent value of various plantation assets under the ABS programme.

Earnings per share ended at 32 sen (2004: 21 sen) and net tangible assets (NTA) per share was RM2.69 (2004: RM3.10). Our financial year ended with shareholders' funds standing at RM1,703 million against last year's RM1,800 million. The reduction in the NTA and shareholders' funds was mainly due to accounting for share of loss of RM196 million in respect of our original 18.6% interest in PSC Industries Berhad. The loss had no material impact on our bottom-line as it was effected through our reserves.



Operating Profit Contribution by Division

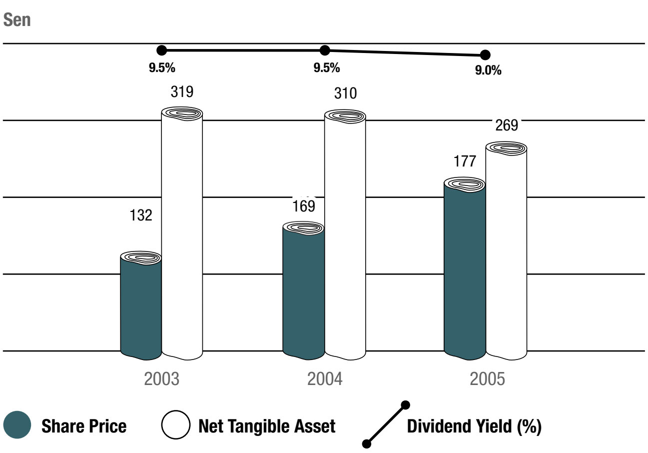
CORPORATE DEVELOPMENT

It was a busy year for the Group as we put various corporate undertakings into motion. They included the acquisition of equity in BP Malaysia Sdn Bhd, which was renamed Boustead Petroleum Marketing Sdn Bhd and the Islamic ABS programme. In addition, the Group also raised its stakes in PSC Industries Berhad and PSC-Naval Dockyard Sdn Bhd.

While the year was eventful with these corporate undertakings, your Group as a whole was focused on keeping cost to a minimum via pro-active cost management practices. This was in tandem with our strategic approach towards making work processes more efficient and effective.

DIVIDEND

The Boustead Group is steadfast in our commitment to enhancing our shareholder value. In view of our positive performance in 2005, todate 20% has been distributed and the Board is recommending a further dividend payment of 12% for the year. This will translate into a yield of 9.0% which surpasses rates offered by commercial financial institutions.



HUMAN RESOURCES DEVELOPMENT

In 2005, as a reflection of the Group's commitment to its most valuable asset, its employees, various training programmes were initiated across all levels in the Group.

Emphasis was placed on IT literacy programmes in order to ensure all employees possessed the necessary skill and knowledge. In addition, we also embarked on various employee relationship programmes to enhance teambuilding efforts.

The year also saw more recruitment of graduates for the Group's Management Trainee Programme, an on-going succession plan which sees qualified graduates receiving on-the-job-training to enable them to assume executive positions and progress up the corporate ladder.

As a responsible corporate citizen, we also introduced the Boustead Graduate Internship Programme to help address the high unemployment levels amongst Malaysian graduates. The year long programme saw a number of interns assigned to select operating units under the mentorship of experienced managers.

In preparation for the introduction of the new Financial Reporting Standards, seminars were also organised for Chief Executive Officers and senior managers.

CORPORATE SOCIAL RESPONSIBILITY

In the course of the year, your Group carried out various activities that sought to help improve the conditions of society and the environment in which we operate. As part of our commitment as a responsible corporate citizen, a number of community and charity based projects were organised.

Ongoing donations were made to Yayasan Warisan Perajurit, an educational trust fund established to offer scholarships to children of our armed forces personnel who do well in their studies.

Our staff hosted *Buka Puasa* dinners at our Royale Bintang hotels for children from the Rumah Amal Cahaya Tengku Ampuan Rahimah Association Subang Jaya and Asrama Baitul Ummah Setapak.

Cash donations were made to the Tabung Kebajikan Angkatan Tentera to help members of the armed forces who were away from their families to celebrate Hari Raya.

The impact of the Tsunami reverberated across Asia and we played our part through contributions of cash and products to aid victims in Malaysia and other affected countries.

In addition, blood donation drives were carried out throughout the year.

As a responsible developer, Mutiara Damansara now has its very own police base. This facility was built and donated by Mutiara Rini Sdn Bhd.

The Group also took the initiative to look into the welfare of our plantation workers and for their convenience, a mosque was built and donated in Ladang Sutera, Sandakan, Sabah.

OUTLOOK AND PROSPECTS

The prospects in the coming year will be influenced by the performance of the various core businesses namely plantation, property and financial services as well as the impact of macro-economic factors. With key indicators pointing towards a healthy growth for the Malaysian economy, barring any unforeseen turn of events we are confident of delivering another year of strengthened performance.

While CPO prices are currently well supported, it is widely expected to trend upwards in the coming year and remain buoyant. With larger areas of our Plantation Division maturing and coming on-stream the Group is well positioned to take advantage of the growing global demand for palm oil. Anticipated attractive prices in the near future will certainly augur well for the division.

As for property, the generally bullish market sentiment of 2005 is expected to continue into 2006, driven by strong domestic liquidity and sustained interest in well located residential property. The Group's property offerings in both Selangor and Johor continue to be well received and this is primarily due to its excellent infrastructure, services and strong secondary market appreciation.

On the financial services front, Affin Holdings is expected to continue with their strong showing and remain as one of the Group's key contributors. As they progress to fortify their position as a one-stop financial services house, their market position will be further enhanced by their evolution into an investment bank and the life insurance business.

The Group is also confident of the long term viability of its acquisition in PSC-Naval Dockyard. In the same vein, we are looking forward to realising the full potential of the off-shore patrol vessels project which is anticipated to contribute positively to our long-term earnings.

In addition, re-branding efforts for our downstream petroleum retail business, Boustead Petroleum Marketing Sdn Bhd, is expected to be completed in the course of 2006 to forge a stronger identity for the Group.

ACKNOWLEDGEMENT

Boustead's success would not have been possible without the unwavering commitment and dedication of all our employees and the support of the management, business associates, government authorities, consultants and the investment community. Thank you for helping us deliver another great financial year.

Gen. (R) Tan Sri Dato'
Mohd Ghazali Hj. Che Mat
Chairman
28 February 2006

Dear Shareholder

The cornerstone of your Group's success lies in our ability to leverage on our core streams of business. In the same vein, we believe in maximising our core competencies and offerings through innovation and continuous improvement. This was the Group's guiding principle for the year under review.

The year was rife with challenges but as a corporation that believes in giving returns to its shareholders, we faced increasing pressure to stay ahead of both the market and our competition. With this mandate, your Group rose to the challenge in two new areas, namely the downstream petroleum retail and the marine vessel manufacturing sectors. We have fortified our investments in these industries and are confident that they will enhance synergies and more importantly render better return on investments in the mid and long term.

Chief Executive's Review

FINANCIAL PERFORMANCE

The Group achieved a pre-tax profit of RM300 million for the financial year ended 31 December 2005 on the back of a turnover of RM1.92 billion. This profit reflects a growth of 22% compared with the previous corresponding year's profit of RM247 million. This significant increase in profit is not only testament to our soundness as a diversified conglomerate, but also to the well-planned corporate undertakings carried out in the course of the year.

Our core divisions, continued to be the primary contributors. To reinforce our earnings potential, meticulous planning was set into motion and two new revenue streams were added. We are certain the magnitude of these businesses will soon speak for themselves.

The plantation industry was rife with challenges in 2005 with crude palm oil prices trading lower and averaging at RM1,400 per tonne. One of the more notable factors which had a knock on effect on the Plantation Division's contribution was escalating petroleum costs which had a definite impact resulting in a lower operating profit of RM34 million from a revenue of RM453 million.

For the property sector, the residential sub-sector remained active while the non-residential sub-sector improved as business confidence and consumer sentiment remained strong. Nonetheless, this sector faced escalating cost of materials and a glut of property offerings in the market. Against this backdrop our Property Division registered a reduced profit of RM55 million on the back of a turnover of RM309 million.

The Finance and Investment Division was one of the core contributors to Group earnings and this was primarily through Affin Holdings Berhad's handsome contributions. For 2005, a pre-tax profit of RM73 million compared to RM13 million in the previous year was registered, denoting phenomenal growth compared to last year.

CORPORATE DEVELOPMENTS

Moving ahead it was necessary to tap into varied business opportunities that offer enhanced prospects. In the course of the year various corporate undertakings were embarked on and these had a strong impact on the Group.

On this score, we received our shareholders' approval during the Extraordinary General Meeting held on 22 June 2005 to acquire a 70% stake in BP Malaysia Sdn Bhd. This investment worth RM409 million is in synergy with our current businesses and to reflect this acquisition we have included the downstream petroleum retail business into the Trading Division.

In seizing new opportunities we have made inroads into the marine vessel development sector by increasing our stake in PSC Industries Berhad (PSCI) from 18.6% to 32.7% at a cost of RM25 million, resulting in this listed entity becoming a new associate of your Group. To further consolidate our position in the sector, we acquired a 31% direct interest in PSC-Naval Dockyard Sdn Bhd for RM166 million. To strengthen our position further, we have committed to acquire over a period of three years a further 27.7% stake in the company and this investment will costs us RM150 million plus holding costs. The acquisition offers us strategic leverage to tap into the long term prospects of this investment which currently has a RM5.3 billion contract with the Government of Malaysia to design, construct and deliver six offshore petrol vessels.

ASSET BACKED SECURITISATION PROGRAMME

To fund the acquisition of our new streams of businesses while improving our gearing levels, we successfully completed the largest Islamic plantation Asset Backed Securitisation (ABS) programme in Malaysia. The ABS programme comprised a RM442 million Sukuk Al-Ijarah which was well taken up by the capital markets and a RM300 million Musyarakah Facillity provided by the Lembaga Tabung Angkatan Tentera. This move enabled the Group to unlock the inherent value of these assets, improve our gearing levels and realise gains of RM163 million. The proceeds have placed the Group on a better footing by liquidating short term bridge finance, thereby improving our balance sheet.

Under the ABS programme, the Group entered into a sale and purchase agreement of the beneficial rights of identified plantation assets to Golden Crop Returns Berhad, a special purpose vehicle, for a consideration of RM742 million. However, the Group will continue to generate operating profits from these assets through a lease back arrangement.

OUTLOOK

We have not sat on our laurels with regards to strengthening earnings potential from our core divisions. Instead, we have expanded our prospects through investments in two new sectors.

For our Property Division, we expect the Curve and our property development sub-division to contribute more positively with heightened consumer spending and domestic demand.

The Plantation Division is expecting to see an improvement in crude palm oil prices in the coming year in tandem with rising soy oil prices. In addition, with increased areas of our estates progressing into maturity, enhanced returns are expected.

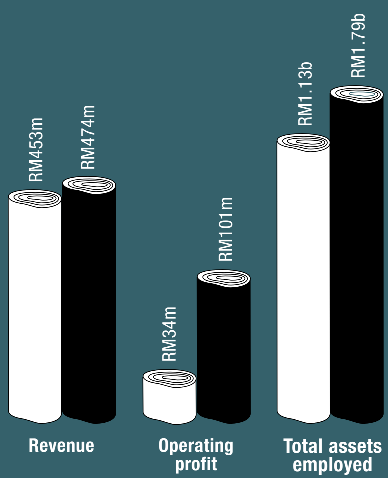
The Group's petroleum retail business will focus on operational and marketing initiatives for the coming year. Our aim is to create a strong petroleum retail brand that has top-of-the-mind recall for excellent service standards and facilities.

The Group will also be focusing its efforts in unlocking the potential of PSC-Naval Dockyard. While we are currently doing our best to restructure and improve the situation in the dockyards, we are confident of delivering on our contractual obligations to the Government. The first two off-shore petroleum vessels are targeted for delivery by mid 2006.

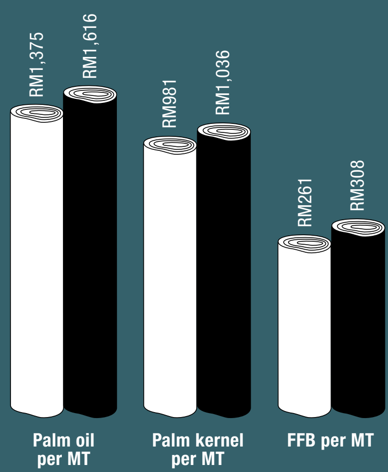
To this end, I present to you our review of operations by divisions with a further segmentation of key sectors within each division. We trust you will find this detailed review informative.

Tan Sri Dato' Lodin Wok Kamaruddin
Group Managing Director
28 February 2006

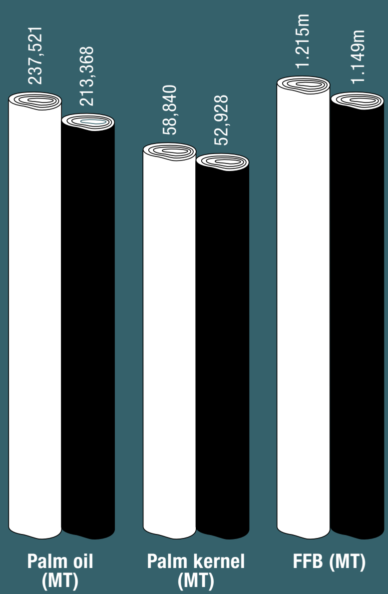
Financial Highlights



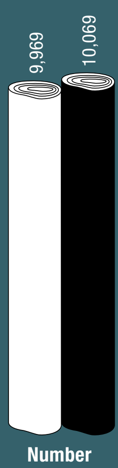
Average Prices Realised



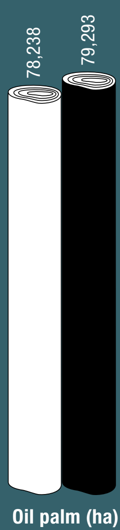
Production



Employees



Planted Area



2005 2004

Plantation Division

OVERVIEW

2005 was a mixed year for the Plantation Division, which saw the palm oil market fluctuating throughout the year due to various internal and external factors including the increase in petroleum prices, sharp increases in Crude Palm Oil (CPO) supply and the removal of the Ringgit peg to the US Dollar.

These challenges underscore the economic environment that we operate in and had a direct impact on our earnings. As a result, the division registered a lower operating pre-tax profit of RM34 million on the back of a turnover of RM453 million. In addition, there were exceptional gains of RM163 million derived from the Asset Backed Securitisation (ABS) programme and a further RM20 million from the disposal of assets in Sabah. These gains helped negate the deficit of RM83 million arising from the impairment of assets in Indonesia.

MARKET REVIEW

The year 2005 saw palm oil, soy oil and most other vegetable oils on a weakening trend as world production increased more sharply than demand. Malaysian palm oil production continued to increase for seven consecutive years reaching 15.0 million MT in 2005 from 14.0 million MT the previous year.

Although the market started on a high note, prices subsequently trended lower as the year progressed on concerns that stocks would build up and that the removal of the Ringgit peg would translate into lower prices. The Division recorded an average CPO price of RM1,375 per MT, which was 15% lower than the previous year's average of RM1,616 per MT. Nevertheless, our gross CPO selling price at RM1,399 (inclusive of East Malaysian CPO discount) compared favourably with the industry's average of RM1,394 per MT.

The year has been an eventful one for the Malaysian palm oil industry. In August 2005, the Government announced the National Biofuel Policy to spur the development of the biofuel industry in Malaysia. The four-pronged strategy encompasses the production of a biofuel blend of 5% processed palm oil and 95% diesel (or B5), encouraging the use of B5 among the public. Towards this end, the Boustead Group also intends to venture into the production of palm based bio-diesel.




LANDBANK

Our total landbank at year end stands at 106,147 hectares, inclusive of the 36,260 hectares utilised under the sale and leaseback arrangement from the ABS programme. This was a reduction from last year due mainly to the disposal of fringe properties comprising the 1,501 hectare Ladang Silasuka and Ladang Sungai Manar in Sabah. As mentioned earlier, profit from this disposal amounted to RM20 million.

The total landbank under cultivation in 2005 was 78,739 hectares, out of which oil palm continued to be the Division's predominant crop accounting for 78,238 hectares.

The year also saw another 3,902 hectares of palms coming into maturity, bringing the total mature area to 73,679 hectares. Although the mature area has increased to 94%, the age profile remained young. On this score, young mature palms (6 years and below) formed 25% of the total mature holding of which 50% of the palms are in the first and second year of production. Also, 25% of the prime mature hectarage (age group 7 years and above) were just reclassified under this category. Immature palm holdings stand at 4,559 hectares.

ESTATE OPERATIONS

The knock-on effect of soaring petroleum prices affected many industries including the plantation sector. However, proactive measures to improve productivity through the Yield Improvement Programme (YIP), mechanisation and pursuing the culture of Excellence in Application has resulted in improved overall yield and lower production cost. Production cost for the year decreased to RM178 per tonne fresh fruit bunch (FFB) from RM180 per MT recorded in the previous year.

Also, the Group recorded an overall increase of 6% in total FFB production to 1,215,000 MT in 2005 (2004: 1,149,000 MT), while average yield per hectare of our prime area was indeed encouraging at 22 MT per hectare in spite of the young age profile of our palms. In view of this age profile, the Group's overall yield was encouraging, averaging 16.9 MT compared with 16.0 MT last year.

Despite facing difficult situations in Sumatra, Indonesia the Division continued to do its utmost to improve operations. To minimise turnover of its labour force, a productivity oriented wage system was introduced, complemented by improved housing quarters and amenities for its workers. In addition, the construction of roads into planting areas have facilitated better crop recovery, improved upkeep and enhanced workforce supervision. Moving forward and in line with the continued improvement of the socio-political environment, the Division is investing further in constructing a palm oil mill with an initial capacity of 20 MT per hour.

MILLS OPERATIONS

Our nine palm oil mills processed a total of 1.16 million MT of FFB, achieving an oil extraction rate of 20.4% and a kernel extraction rate of 5.1%.

The year also saw the commencement of construction work for two new mills in Sabah and Sumatra. These mills will have a 40 MT and 20 MT per hour capacity respectively.

These mills will also feature an innovative mill design developed in-house called the Modular Compact design that requires less area to operate in and as such, offers cost savings in terms of the rent premium associated with the conversion of agriculture land to industrial land.

Moving forward, while seven of the Division's mills have already been accredited with the ISO9001:2000 Quality Management System, our latest mill in Loagan Bunut, Miri, Sarawak, and the Division's Engineering and Consultancy Services of the Group's Engineering Department are also expected to be ISO certified in 2006. Additionally, preparatory efforts are underway to obtain HACCP/EMS/ISO 14001 certification for all mills starting with the Trong Palm Oil Mill.

INNOVATION

We will further enhance the use of the precision agriculture technique inherent in the YIP model with the introduction of a decision support system tool known as the Boustead-AAR GIS Map Management System. The tool allows quick and accurate decision-making process in the implementation of precision agriculture practices.

With the successful adaptation of the mini-tractor-grabber in-field collection system to a platform collection system and the bin-system of main line crop evacuation, the Group will expand its usage to its Sabah and Sarawak estates which experienced a prolonged wet weather and slippery road conditions. These efforts are expected to raise labour productivity and progressively reduce maintenance cost of field roads.

In 2005, the Division completed the research and development of a zero-waste zero-discharge treatment technique known as the Boustead Biotherm Palmass Treatment Process. As an end result, this environmentally friendly process also produces organic fertiliser which will help to substantially reduce the reliance on inorganic fertiliser. This breakthrough has been filed for patenting.

The year also saw us making headway in putting in place our objectives to see all replanting and new planting programs utilising the clonal material developed by Advanced Agriecological Research Sdn Bhd (AAR). Initial results from the clonal planting in Ladang Segaria have shown very positive results in terms of oil yield.

And as a start, the first phase of Boustead Sedili Estate, a joint venture project totalling 1,000 hectares with Johor State Government, have been planted with this clonal material during the year.

We expect to begin construction of a Biotechnology Laboratory in 2006. Aided by the synergies present with the University of Nottingham Malaysia Campus, the laboratory is set to mark Boustead's entry into biotechnology.

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LEGEND

- **Estate**
- **Estate with palm oil mill**
- **Bulking installation**

PENINSULAR MALAYSIA

1 Batu Pekaka
2 Kuala Muda *
3 Stothard *
4 Kedah Oil Palm *
5 Bukit Mertajam
6 Malakoff *
7 Bulking Installation
8 TRP *
9 Malaya
10 Lepan Kabu
11 Solandra
12 LTT-Terenganu
13 Sungai Jernih *
14 Bebar *
15 Balau
16 Bekoh
17 Eldred *
18 Kulai Young
19 Chamek
20 Boustead Sedili
21 Telok Sengat

SABAH & SARAWAK

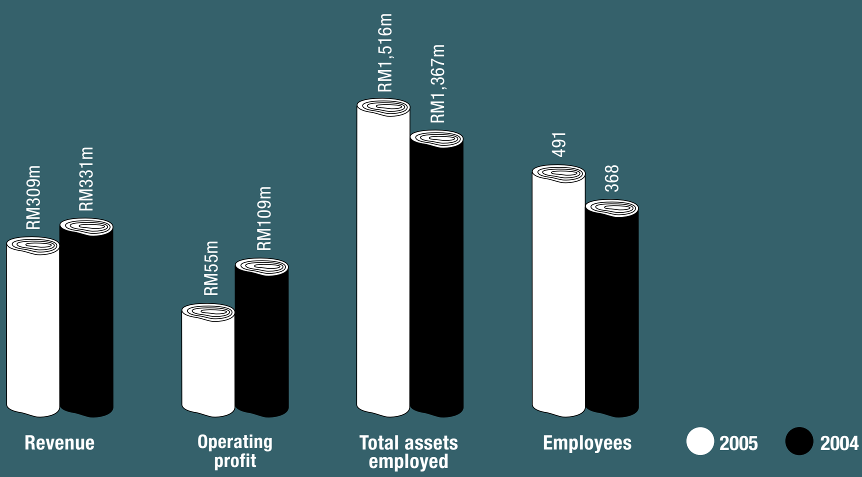
22 Sungai Sungai 1 *
23 Sungai Sungai 2 *
24 Kawananan *
25 Resort *
26 Nak *
27 Sutera *
28 Pulau Bai
29 LTT-Sabah *
30 Segaria *
31 Sungai Segamaha *
32 Bukit Segamaha *
33 Loagan Bunut
34 Sungai Lelak
35 Bukit Limau
36 Pedai
37 Jih
38 Kelimut
39 Maong
40 Mapai
41 Bawan

INDONESIA

42 Anam Koto
43 Bingin Rupit

* Estate / Palm oil mill included in the ABS programme.

Financial Highlights



The property market in 2005 was challenging due to various factors including the rise in cost of materials, an over supply of residential properties, condominiums and apartments in selected locations and diminishing incentives to fuel buying interest in properties. As a result of this, the Property Division registered a reduced profit of RM55 million on the back of a turnover of RM309 million for the year ended 31 December 2005.

PROPERTY DEVELOPMENT

This sub-section remained the primary thrust of the Division. Anchored by our reputable and award-winning Mutiara Homes brand, we see our two flagship projects in Selangor and Johor, spearheaded by *Mutiara Rini Sdn Bhd*, contributing to our bottom-line.

Property Division

Our *Mutiara Damansara* township features notably on the radars of property market investors. Naturally, as this development matures into a viable and appealing integrated township that sits on prime land, demand and interest for any remaining units is expected to be strong.

In 2005, the focus was placed on the growth of this township's commercial elements. Following the successful opening of the Curve, the Group's lifestyle mall, the year saw construction activities for the corporate offices of Cycle & Carriage Bintang, UAC, Bentley School of Music, Batu Kawan and UMW Toyota kicking off.

Upon completion, these corporate offices are expected to boost the day-time working population of the entire commercial precinct. This will certainly have an impact in enhancing the retail appeal for the Curve and its surrounding retail partners in the future.

Royale Bintang Damansara also successfully opened its doors in the fourth quarter of 2005. The hotel completes this township's proposition as an integrated one-stop retail and commercial precinct.

This progress naturally calls for enhanced infrastructure, especially in terms of access points. Towards this end, the flyover connecting Mutiara Damansara to the Penchala Link was completed during the year with the Group's financial contribution making this possible.

Aerial view of access points into Mutiara Damansara

In addition, Boustead Petroleum Marketing Sdn Bhd acquired in 2005, a plot of land to develop a petrol station and adjoining convenience store. This will enhance further the amenities in the township.

Looking ahead, with the enhanced commercial elements, complemented by ready and pre-planned infrastructure for greater accessibility, this township is poised to see its future offerings, including the upcoming series of 'Super-Link' houses fetch a premium in the market.

In Mutiara Rini, Johor, the division continues to see a tight property market due to an over-supply of residential properties. Nevertheless, our strategy of focusing on niche market segments in search of prime location with nearby amenities and conveniences has worked. Indeed, much thought, effort and commitment has been invested into this project since its inception to ensure that our residents have ample facilities and amenities on top of owning products of quality.

This development has received positive response and todate, more than a 90% take-up rate has been achieved. Boustead Properties will be launching a further series of single and double storey terrace houses in 2006.

2005 also saw work commence on a luxury condominium project in Jalan Ampang that consists of 40 residential units. The project to be completed by 2009, is expected to be well received, thanks to its prime location.

The Division's foray up north in Bukit Mertajam via *Jernih Rezeki Sdn Bhd* has successfully completed the development and handover of the entire 36-acre Taman Jernih development project undertaken as part of a joint-venture initiative with the Keppel Group of Singapore. This residential project involves a total of 513 homes and handover of the final phase took place in the fourth quarter.

Our development projects in the state of Penang, received approvals in principle for the development of service apartments, an office block and a three-storey heritage building at the historical Weld Quay site in the state. Work on this project will commence in 2006 and is expected to be completed by 2008.

Boustead Construction Sdn Bhd provided project management services that resulted in the successful completion of the 100-acre University of Nottingham Malaysia Campus in Semenyih, Selangor and Chulan Tower along Jalan Conlay, Kuala Lumpur.

PROPERTY INVESTMENT

Boustead Curve Sdn Bhd's strategy of innovation via differentiation is paying-off and the Curve, has certainly won the hearts of many in Malaysia and beyond as a lifestyle and shopping destination of choice.

A year since its opening, the Curve has seen a significant increase in visitors. This was even more evident during the recent Deepavali, Hari Raya, Christmas and New Year festive seasons where the mall received a tremendous surge in shoppers and visitors thanks to the various unique attractions and events organised by the Curve.

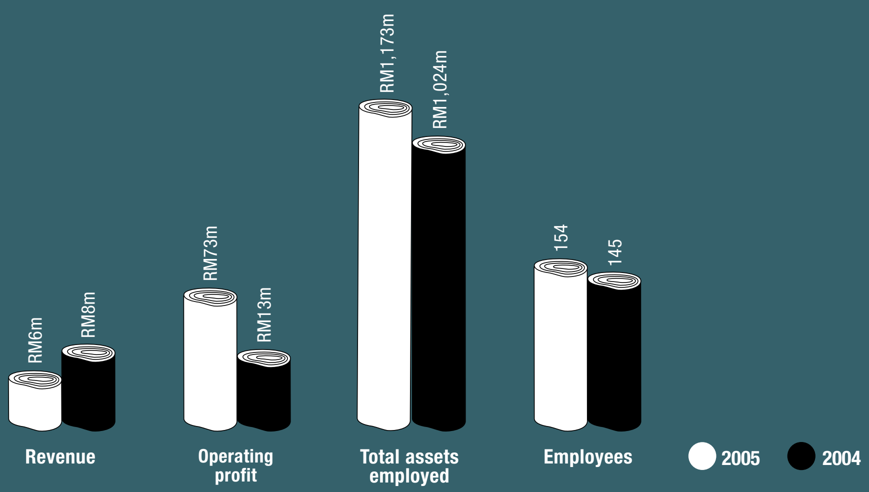
With the opening of one of the world's leading bookstores, Borders spanning 24,000 sq ft, the Curve's reputation as a top shopping destination in the country has been further enhanced. Todate, tenancy at the Curve surpasses 90% with the Metrojaya Group recently signing on to house its brand new concept fashion store which will occupy two levels with 60,000 square feet of retail space.

In addition, the Group's second hotel, Royale Bintang Damansara just a month after its opening is already seeing almost full occupancy. It is expected to complement the Division's existing hotel, Royale Bintang Kuala Lumpur, in delivering strong earnings.

The District Cooling Plant (DCP) at the Curve which is owned and managed by *Boustead Linear Corporation Sdn Bhd*, is expected to enhance its contribution to our earnings in the coming fiscal year when Cineleisure Damansara is completed. The opening of this state-of-the-art entertainment and lifestyle venue will see the DCP system being fully operational.

The Division is also enjoying more than 85% occupancy rates in its stable of office properties including Wisma Boustead, Menara Boustead and Menara Affin. Rental for these notable landmarks are expected to be reviewed to reflect improving market rates in the central business district.

Financial Highlights



Our financial services business continues to be the growth driver for this Division. This coupled with lower impairment loss recorded during the year under review resulted in a pre-tax profit of RM73 million compared to last year's RM13 million.

Affin Holdings Berhad, the key contributor reported an impressive audited Group pre-tax profit of RM331 million on the back of a turnover of RM1,791 million in 2005.

Affin Bank's pre-tax profit increased to RM225 million which outpaced the gain of RM185 million posted a year ago. The Bank's positive showing was attributable mainly to higher net interest income on the enlarged loan base following the merger with Affin-ACF Finance.

Finance & Investment Division

The merger also contributed in part to the continued lowering of net non-performing loans ratio, which registered 13.8% at the end of 2005 from the previous year's ratio of 23.6%. The Bank's risk weighted capital ratio also improved marginally to 14.8% from 14.6% the year before.

Affin Merchant Bank posted a pre-tax profit of RM58 million, representing a 66% growth over last year. This performance was attributed to increases in both non-interest income and income from Islamic banking operations, write backs of profit equalisation reserve and loan loss provisions during the year.

Affin Discount's pre-tax profit of RM19 million was 42% lower than last year due to lower non-interest income and higher overheads.

Affin Securities incurred a loss of RM869,000 in 2005 as compared to a profit of RM3.5 million recorded a year ago due to reduced brokerage income, the provision for the diminution of securities and a lacklustre capital market.

Affin Fund Management successfully turned around during the year, reporting a surplus of RM216,000 due to an increase in management fee and unit trust sales.

Affin Moneybrokers performed positively, producing a profit of RM2 million, doubling last year's profit due to higher brokerage income. AXA-Affin Assurance also registered a higher profit of RM57 million or 36% more than that registered for the same period last year. The improvement was mainly due to higher earned premium and lower net claims in 2005.

Royal & Sun Alliance Insurance (M) Berhad closed the year with a pre-tax profit of RM45 million, an improvement from RM43 million recorded a year ago. During the year, gross premium income grew by 1% to RM228 million, and these increases were largely from Fire, Motor and Accident classes of insurance.

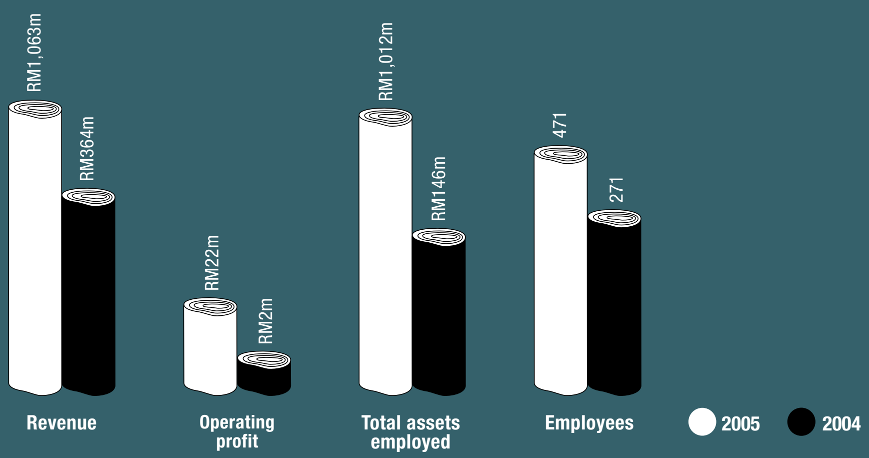
Underwriting profit however increased by more than 37% to RM25 million, due to higher net retention and reduced loss ratio. Investment income was trimmed by 4% to RM24 million, while combined operating ratios were capped at 79% and solvency margin remained very strong at 201%.

Boustead Credit Sdn Bhd recorded better results in 2005 with a two-fold increase in profit despite facing stiff competition and lower margins. Stringent credit management control was successful in paring down loan loss provisions during the year.

As mentioned earlier in my review, we increased our stake in *PSC Industries Berhad* from 18.6% to 32.7%.

With Boustead's 31% stake in the company, *PSC-Naval Dockyard Sdn Bhd* (PSCND) became an associate company at the end of 2005. PSCND has a contract for the construction of six off-shore patrol vessels (OPV). The first two OPVs are now completed and currently in their testing phase, with the remaining four to follow thereafter. Clearly the focus now is to ensure the timely delivery of these remaining patrol vessels to Tentera Laut Diraja Malaysia. Upon this successful delivery, the Group expects to make significant headway in securing more projects from the Malaysian Government given its experience and track record.

Financial Highlights



This year the group spearheaded and brought to fruition a corporate exercise that emphasised synergy by the completion of our acquisition of BP Malaysia Sdn Bhd. This resulted in the Division recording a significant increase in pre-tax profit of RM22 million on a turnover of RM1,063 million.

Signalling our entry as a significant participant into the downstream petroleum retail sector, this subsidiary, renamed *Boustead Petroleum Marketing Sdn Bhd* is currently in the midst of a re-branding and an image-makeover exercise for all 245 petrol kiosks. For the last quarter of 2005, this business stream contributed a pre-tax profit of RM25 million on gross revenue of RM650 million, attributable mainly to lower product costs and the effect of a favourable price lag.

Trading Division

Boustead Global Trade Network Sdn Bhd posted a 9% improvement in sales volume compared to the previous year. This was due to significant improvements in its operations in West Malaysia. The general insurance business performed better than last year, registering an 11% growth in insurance commission earned.

Despite the heightened challenges of the domestic construction industry, *Boustead Building Materials Sdn Bhd* was operationally profitable in 2005 and this was achieved through strict credit management, greater efficiency in inventory management along with aggressive sales efforts. However, the provision of old debts and clearance of obsolete stocks had an adverse impact on this unit.

Boustead Engineering Sdn Bhd maintained its profit growth trend due to higher sales revenue from its mechanical industrial supplies. The coming year also holds positive prospects as the company managed to secure the baggage handling system for the low cost carrier air terminal at KLIA.

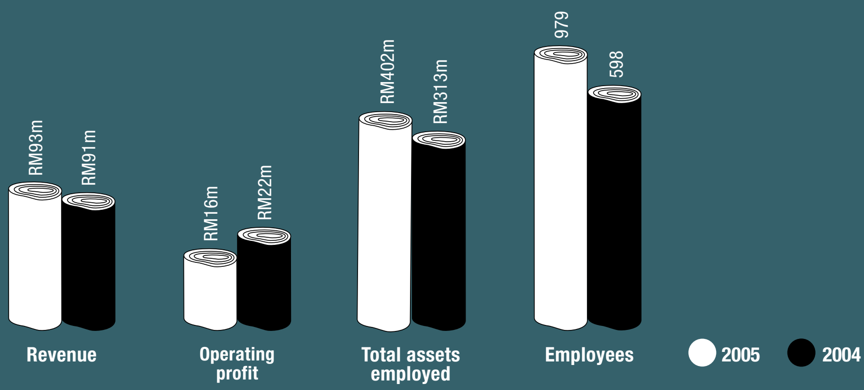
Boustead Emastulin Sdn Bhd experienced a challenging year due to limited sale of heavy commercial vehicles and intense price competition. While sales of passenger cars rose by 36% this was however off-set by tighter margins and heightened competition.

Riche Monde Sdn Bhd ended the year on a high note with a strong profit before tax. The unit maintained their position with their offering of leading brands complemented with successful cross channel marketing. Albeit rising operational costs, the unit achieved higher average revenue per standard case during the year compared to a year ago.

Drew Ameroid Sdn Bhd recorded a modest increase in turnover and profit before tax for the year rose 11% despite the highly competitive water treatment chemical market. Through its association with US-based Ashland Group, the unit continues to maintain its market share. It also introduced the patented environmentally friendly 'Sonoxide' technology which replaces the use of biocides in cooling water systems in Malaysia.

Wah Seong Boustead Co Ltd registered improvements through a distribution network of pharmaceutical operations in Myanmar.

Financial Highlights



For the year ended 31 December 2005, the Division faced various challenges including the rise in material costs, tightening of domestic demand on selected core sectors and investments which have yet to achieve their full potential. Nevertheless, the Division performed commendably and contributed a pre-tax profit of RM16 million from a revenue contribution of RM93 million.

MANUFACTURING

UAC Berhad remained as the key contributor to this sub-division, despite a drop of 17% in pre-tax earning of RM40.4 million from a turnover of RM180 million. Rising material costs and contraction of domestic demand for this unit's core building products was cushioned by the strong demand for its range of building products from other parts

Manufacturing & Services Division

of the world from East Asia to Europe and the South Indian continent. The growth in export sales made up for the reduction in the domestic market.

The UAC group is strengthening the performance of its manufacturing facilities and has successfully enhanced production efficiencies during the year under review. Naturally, this would contribute positively to its bottom-line. The operating unit is also planning to relocate its corporate head office to Menara UAC, construction of which is scheduled to commence in the first quarter of 2006 at Mutiara Damansara.

The year under review saw the successful relocation of *Boustead Sissons Paints Sdn Bhd's* production facility to the new purpose-built plant in Nilai, Negri Sembilan. While it was a demanding year due to rising production and operation cost, this more efficient and enhanced facility is expected to play a role in enhancing competitiveness in the near future. The company also sold its former facility in Section 14 Petaling Jaya for a gain of RM6 million.

In order to remain competitive, *Kao Malaysia Sdn Bhd* is committed to its investment in building brand equity by engaging in aggressive marketing communications programmes. The company's foresight in consumer trends resulted in its consistency in introducing products that helped to sustain market share in their respective categories.

Similarly, *Cadbury Confectionery Malaysia Sdn Bhd* maintained its pole position throughout 2005 via creative in-store promotions and displays, which also resulted in stronger consumer buy-in. This dedicated brand building effort has invariably led to enhanced profit performance in 2005.

EDUCATION

The new campus of the University of Nottingham Malaysia Campus (UNMC), which is owned and operated by *University of Nottingham in Malaysia Sdn Bhd*, was officially declared open in the second half of 2005 by the Deputy Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib bin Tun Abdul Razak, on behalf of the Prime Minister.

Occupying a scenic position overlooking green hills, the campus is a self-contained and self-sufficient neighbourhood village in a garden environment. The facility which combines a high quality living environment with state of the art learning and teaching facilities, provides residential accommodation both on-campus and in the neighbouring vicinity. Meanwhile, a teaching facility located in Jalan Conlay will continue to be retained for post-graduate programmes.

For the 2005/2006 academic year, UNMC's student intake surpassed expectations by registering more than 1400 students compared to 900 students in the previous year.

Additionally, in line with the University's commitment to enhance its appeal as a top-notched education institution, two additional courses, namely Pharmacy and Master of Laws in International Legal Studies, were introduced this academic year. Additional courses in Applied Psychology, Civil Engineering, Education and Plant Bio-Technology, will be introduced in the future.

SERVICES

The positive environment in the liner agency business enabled *Boustead Shipping Agencies Sdn Bhd* to enjoy a steady volume of bookings for freight forwarding. The Singapore operations were also profitable due to positive results derived from its freight forwarding business.

Despite a challenging year, *Boustead Travel Services Sdn Bhd* achieved a commendable performance in 2005. Corporate ticketing is this unit's niche business and main source of revenue, followed by outbound tours and incentive travel. Eurorail products performed well while the Umrah packages gained ground.

Boustead Information Technology Sdn Bhd ended the year with a loss due to lower margins. The company was given the responsibility to manage several new projects including the custodian migration of the Wide Area Network and the implementation of the Enterprise Resource Planning System for Boustead Petroleum Marketing Sdn Bhd.

Asia Smart Cards Centre Sdn Bhd once again yielded attractive returns as the company benefited from growing demand for chip-based ATM cards from various financial institutions.