

Senior Management Team



Pn. Josephine Wong
Group Chief Accountant

Pn. Chin Sup Chien
Financial Controller, Plantation



En. Peramjeet Singh
Financial Controller, Manufacturing & Trading

Pn. Cheah Swee Choo
Financial Controller, Property

14

En. Andrew Nathan
Boustead Sissons Paints

En. Chew Chik Soo
Boustead Building Materials



En. Lee Keong Hoe
Boustead Estates Agency

En. Khushairi Mohd Hashim
Boustead Properties

En. Rahim Mohd Som
Boustead Credit/Emastulin

En. Musa Hj. Sulaiman
Boustead Global Trade Network



En. Chan Pooi Hoong
Manager, Group Internal Audit

Dr. Rodaina Ibrahim
Boustead Information Technology



Pn. Nawal Hanafiah
Manager, Group Human Resource

Pn. Sharifah Malek
Company Secretary

En. Teng Peng Khen
Boustead Estates Agency



Pn. Selina Chan
Boustead Emasewa

En. Koh Chor Meng
Asia Smart Cards Centre

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 2004.

audit committee
report

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

Y. Bhg. Tan Sri
Dato' Lodin Wok
Kamaruddin

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

Tuan Hj. Johari
Muhamad Abbas

MEMBERS



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

MEMBERS AND MEETINGS

The members of the Audit Committee during the year comprised the Directors listed below. During the year, the Committee held meetings on 20 February 2004, 8 March 2004, 24 May 2004, 9 August 2004 and 8 November 2004 respectively, a total of five (5) meetings. The attendance by each member at the Committee meetings during the year is 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	5/5
Y. Bhg. Tan Sri Dato' Lodin Wok Kamaruddin	Group Managing Director	No	5/5
Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din	Non-executive Director	Yes	5/5
Tuan Hj. Johari Muhamad Abbas	Non-executive Director	Yes	5/5

The Director, Financial Services, Group Internal Audit Manager 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 the 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.



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 2004.

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 AA 1 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.

Corporate Governance

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 9 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	4 meetings
Audit Committee	5 meetings
ESOS Committee	1 meeting
Nomination Committee	1 meeting
Remuneration Committee	1 meeting

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

Corporate Governance

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 Securities Berhad (Bursa Malaysia). During the year, the Directors have also attended a Bursa Malaysia accredited continuing education programme for directors of public listed companies. 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 21 of the annual report.

Employees' Share Option Scheme Committee (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.

Corporate Governance

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

Details of the Directors' remuneration are set out on in Note 3 to the financial statements by applicable bands of RM50,000, which complies with the disclosure requirements under Bursa Malaysia's Listing Requirements.

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.

INVESTORS AND SHAREHOLDERS RELATIONSHIP (cont'd.)

Apart from the mandatory public announcements through Bursa Malaysia, the Group has also set up a website at 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.

Corporate Governance

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

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.

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.

statement on
internal control

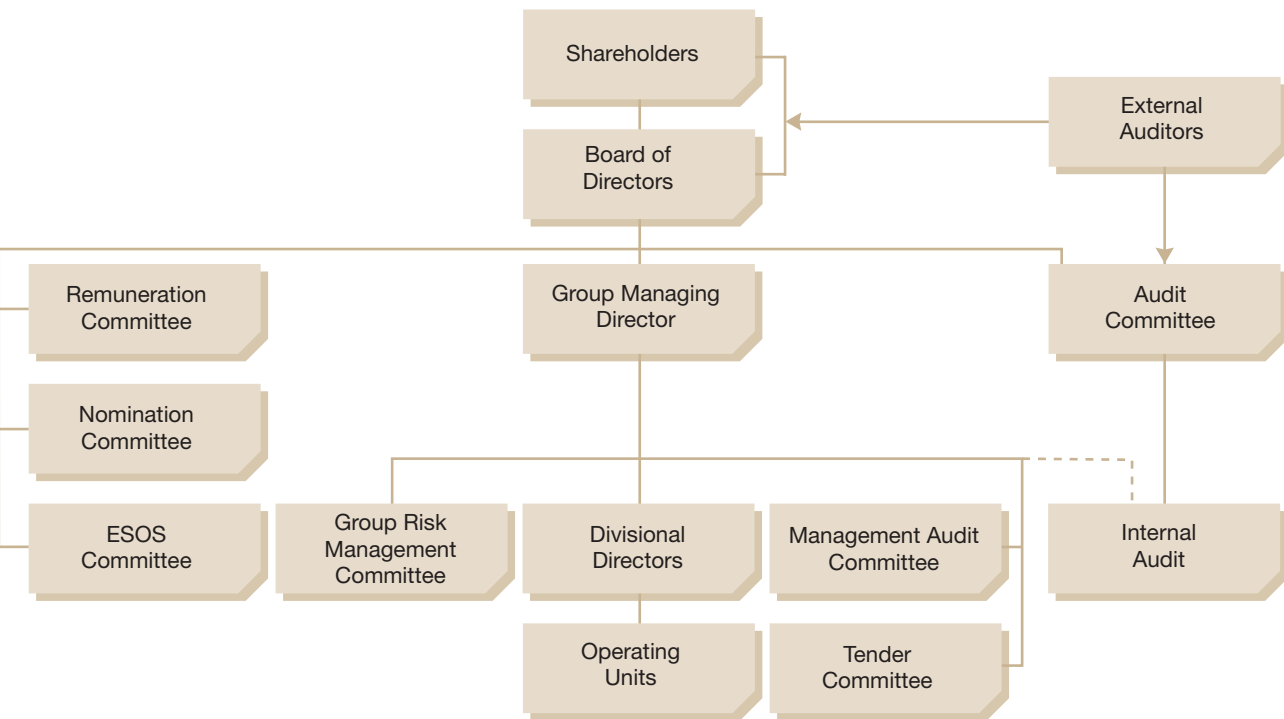
Statement on Internal Control

BOARD RESPONSIBILITY

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

The Group's system of internal control covers risk management and financial, operational and compliance controls. 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 fulfil clear business objectives.

Statement on Internal Control

INTERNAL AUDIT FUNCTION (cont'd.)

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.

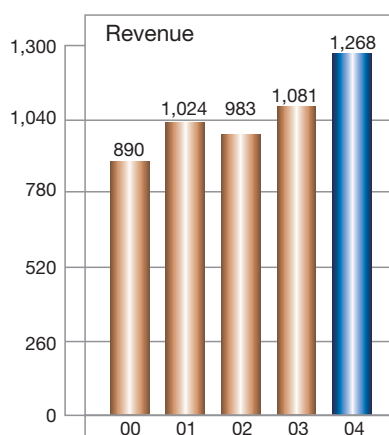
WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

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.

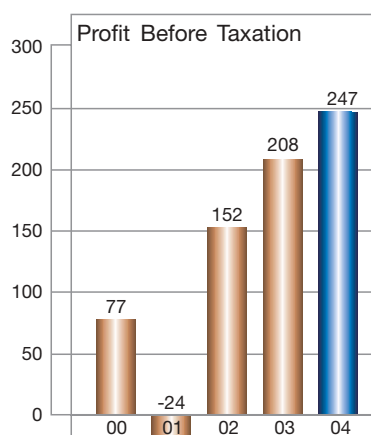
This statement is made in accordance with a resolution of the Board of Directors dated 24 February 2005.



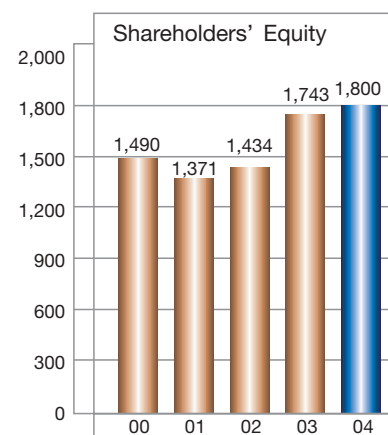
Five Year Group Financial Highlights



RM Million

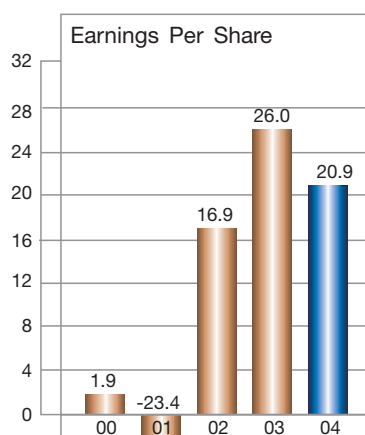


RM Million

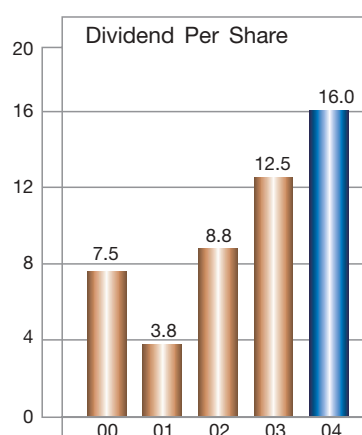


RM Million

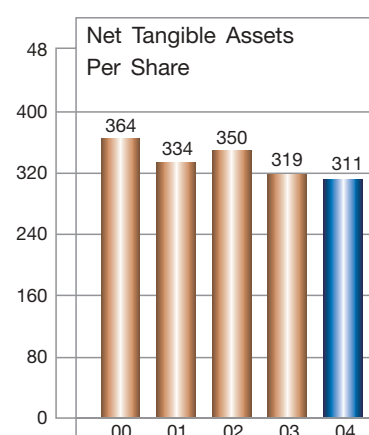
	2004	2003	2002	2001	2000
For Year Ended 31 December (RM Million)					
Revenue	1,268	1,081	983	1,024	890
Profit before taxation					
— Plantation	101	115	93	52	67
— Property	109	94	70	99	66
— Finance & investment	13	(16)	(8)	(188)	(59)
— Manufacturing & trading	26	20	22	28	18
— Service industry	(2)	(5)	(25)	(15)	(15)
	247	208	152	(24)	77
Profit/(loss) attributable to shareholders	119	113	69	(77)	3
Dividends	67	44	17	7	15
Profit/(loss) retained	52	69	52	(84)	(12)
At End of Year (RM Million)					
Paid-up share capital	290	273	136	136	136
Shareholders' equity	1,800	1,743	1,434	1,371	1,490
Total assets employed	4,643	4,341	4,048	3,955	4,004



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		2004	2003	2002	2001	2000
Per Share (nominal RM0.50)						
Earnings	(sen)	20.9	26.0	16.9	(23.4)	1.9
Gross dividend	(%)	32.0	25.0	17.5	7.5	15.0
Dividend Yield	(%)	9.5	9.5	5.9	3.1	2.9
Dividend cover	(times)	1.8	2.9	2.7	(8.7)	0.4
Net tangible assets	(sen)	311	319	350	334	364
Share price – high	(sen)	190	220	230	262	424
Share price – low	(sen)	147	129	165	171	242
Price earning ratio	(times)	8.1	5.1	8.8	(5.1)	135
Financial Statistics						
Return on revenue	(%)	9.9	12.2	6.8	8.1	7.0
Return on average shareholders' equity	(%)	6.7	7.1	4.9	(6.7)	0.5
Interest cover (profit before interest: interest)	(times)	3.8	3.8	3.8	0.7	3.6
Gearing (borrowings: shareholders' equity)		1.0	1.0	1.1	1.2	1.0

chairman's statement

DEAR SHAREHOLDER,
BOUSTEAD HOLDINGS BERHAD IS
RIDING THE WAVE OF ENHANCED
EARNINGS BACKED BY AN
ECONOMIC LANDSCAPE THAT
AUGURS WELL FOR THE GROUP.
IT IS ON THIS BULLISH NOTE THAT
IT GIVES ME GREAT PLEASURE
TO PRESENT OUR ANNUAL
REPORT FOR THE YEAR ENDED
DECEMBER 31, 2004.



Our strong profits have risen across the board in most divisions. Two particular divisions stand out as the driving force for the entire Group and these are our plantation and property divisions. This in no uncertain terms is the result of clear vision and foresight to strategise and plan, as well as excellent execution to achieve pre-determined targets.

Against this backdrop and despite facing multiple external challenges, the Group achieved a remarkable pre-tax profit of RM247 million. Clearly we are doing our utmost to improve our competitiveness with our key performance indicators in place, we hope to continue on this steady course in the coming year. The year 2004 was a challenging year as corporate structures were strengthened to maintain the Group's effectiveness and operational efficiency. This has been driven via the rationalisation of assets, reorganisation of some of our operating entities and our ongoing branding exercise.

working for a
stronger future

ECONOMIC LANDSCAPE

On the broader picture the global outlook took a turn for the better in 2004 as it experienced steady recovery from geo-political events. In Malaysia, strong economic activity was charted by the Malaysian Institute of Economic Research (MIER) and gross domestic product growth (GDP) is expected to be approximately 7.2% for 2004.

Bank Negara Malaysia also highlighted expansion of the Malaysian economy at an annual

rate of 6.8% in the third quarter of 2004, raising the real GDP growth to 7.6%. Growth was supported by strong expansion in private sector demand, consumption and investment, and continued expansion in exports.

Looking forward, MIER forecasts a slower growth of 5.7% for 2005, given the downside risks of high petroleum prices and the gradual deceleration of global growth. However the private sector is expected to make substantial contributions to growth as public spending declines.

Our Prime Minister at the Boustead booth during Invest Malaysia 2004.



Private consumption is projected to grow at 7.8% on the back of rising disposable income, positive wealth effects, improving employment market, firm commodity prices and positive consumer sentiments. In tandem, private investment is also expected to rebound in 2005 given renewed business confidence amidst sustained foreign direct investments inflows and favourable export trends. The optimistic local sentiment is further buoyed by the continued prospects that lie in China and India, with positive impact spilling over into the region. As a result,

trade within the region, especially South East Asia, grew healthily and is expected to augur well for the Group.

Growth rates of 2.3% and 1.4% are expected for the agriculture and construction sectors respectively. Manufacturing is expected to report a steady growth of 7.5% and services 5.7%. Barring unforeseen circumstances, the Boustead Group is confident that these indicators signal overall growth for the national economy and naturally this will have a positive effect on the Group's divisions.



Clonal planting at the pre-nursery.



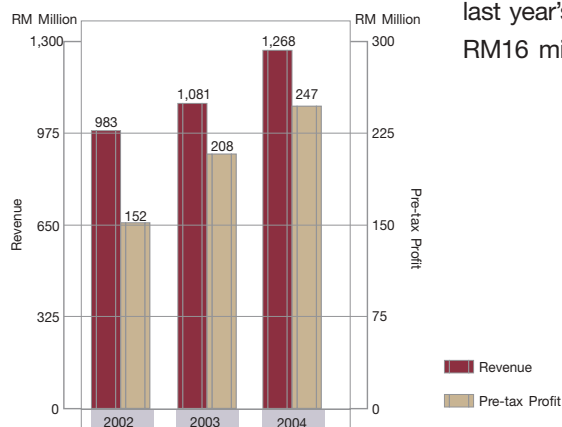
FINANCIAL PERFORMANCE

The facts are in the figures. We have had a favourable year on all fronts with impressive improvements in pre-tax profit, attributable profit and turnover. For 2004 the Group recorded a pre-tax profit of RM247 million on the back of a turnover of RM1,268 million. This represented a commendable increase of 19% compared to last year's pre-tax profit of RM208 million on the back of a turnover of RM1,081 million.

In terms of profit attributable to shareholders, we have seen an increase of 6% to RM119 million. Due to the enlarged share capital arising from the rights and bonus issues, earnings per share ended at 21 sen (2003: 26 sen) and net

tangible assets per share was RM3.11 (2003: RM3.19). As at the close of the financial year, our shareholders' funds were boosted to RM1,800 million (2003: RM1,743 million) due to the improved performance.

Our property and plantation divisions maintained their pole positions in delivering sterling pre-tax profits. The property division registered earnings of RM109 million, delivering a contribution of 44% to Group profitability, while the plantation division chalked up RM101 million which contributed 41% to the Group's bottom line. An additional contributor to Group profits this year has been our finance and investment division namely via our investments in Affin Holdings. This division registered a pre-tax profit of RM13 million, a turnaround from last year's negative contribution of RM16 million.



In line with our Group's prudent accounting policy, the Directors have decided to take a one-off write down of our investment in PSC Industries Berhad. This resulted in a provision for diminution in value of investment of RM100 million, but mitigated by a higher amortisation of reserve on consolidation amounting to RM62 million (2003: RM9 million). Despite this, the Group's strong financial position is not significantly impacted.

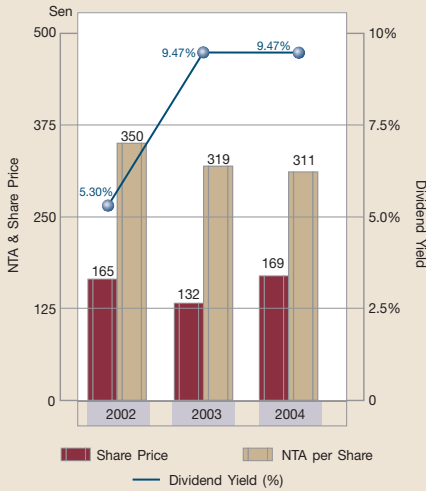
DIVIDEND

Your Group is committed to enhancing shareholder value and this is evidenced by a record distribution of dividends for the year under review. To date, 20% has been distributed and your Board is recommending a final dividend payment of 12% for the year. In real terms, total dividend for the Group will be RM66.7 million (2003: RM43.5 million).

The dividend yield of 9.5% provides an attractive return for the long term investor. We believe investor confidence is crucial to the Group and we hope to continue to provide strong yields.

FINANCE

In light of our ongoing asset rationalisation and value creation exercises, this year witnessed a very proactive effort by your Group to maximise the viability of our operating units and trim non-core and low income yielding assets. By doing so we hope to strengthen the balance sheet and reduce Group borrowings.



Although the privatisation of Boustead Plantations Berhad (formerly known as Kuala Sidim Berhad) has increased total borrowings to RM1,835 million (2003: RM1,665 million), this move has enabled the Group to recognise higher consolidated profits and reserves. There was also an increase in cash reserves to RM215 million (2003: RM133 million).

As a sophisticated corporate entity, your Group has tapped into the capital market by issuing Serial Bonds (RM250 million) and seven-year Redeemable Convertible Bonds (RM100 million) to lock in long term fixed rates. We will continue to explore

various other financial products such as asset-backed securities to improve gearing level and enhance our bottom line.

CORPORATE DEVELOPMENT

These are exciting times for the Group. As a diversified conglomerate, Boustead is constantly on the look out for viable investments to boost its earnings. One such investment is the recently announced proposed acquisition of a 70% stake in BP Malaysia Sdn Bhd. This acquisition presents a unique investment opportunity for the Group to expand its current portfolio of trading and retail businesses.



The Boustead Group has scored another first with the recent launch of the Curve which encapsulates a unique retail concept of lifestyle dining and shopping in an alfresco setting. We are confident this new project will generate attractive earnings in the future and position the Boustead Group in the forefront of the domestic retail scene.

We have successfully completed the entire acquisition of Boustead Plantations Berhad as part of our value creation exercise resulting in further economies of scale and streamlining of plantation operations.

HUMAN RESOURCE DEVELOPMENT

The Group's engines of growth are driven and fuelled by its work force and todate the Group has approximately 11,500 employees. This vast pool is vital in the day-to-day operations and to this end, we encourage a work culture that emphasises increased efficiency and effectiveness in order to collectively achieve our objectives.

Training is a vital element for our employees to achieve their full potential and 2004 saw training programmes such as the renowned *Seven Habits of Highly Effective People* by Steven Covey being offered.



Strengthening our human capital needs with in house training sessions.



In addition, other programmes were also undertaken to enhance the technical knowledge, business etiquette, risk management and corporate image of our staff. As leaders and front-line drivers of the organisation, our Directors benefited from the Continuing Education Programme which was specifically organised with their skill-sets in mind.

We believe in rewarding our employees and in recognition of their contributions, the Group extended the Employees Share Options Scheme to eligible members of staff. It is hoped that this move will motivate employees further.

CORPORATE SOCIAL RESPONSIBILITY

We believe in giving back to the community that supports us and in line with this we have been involved in various charitable undertakings. The year 2004 is no different as we continue to do our fair share for society.

Yayasan Warisan Perajurit was one of the organisations that benefited from our contribution. The Group is cognisant of its roots and believes that it is of national interest to offer financial assistance to the children of armed forces personnel who achieve academic excellence in their studies.



Community projects organised by the Group.



The Women's Aid Organisation was another NGO we supported financially. Our annual blood donation drive organised twice a year received very encouraging response from employees and members of the public.

ICT DEVELOPMENT

We have long recognised the need to remain technologically advanced and the year under review saw the implementation of new and innovative systems. This was in line with efforts of the past two years to enhance work efficiency and to improve

security and performance of our entire Information and Communications Technology network infrastructure.

The Group focused on streamlining existing hardware and software and this has resulted in the integration of our Human Resource, Payroll and Training systems which have been standardised for the main divisions. In addition, Plantation Division upgraded its Plantation Information Management System to provide timely information for better operational management.



OUTLOOK AND PROSPECTS

On a Group wide level we are committed to maintain leadership in our chosen areas of expertise. This translates into strategies that ensure the viability of each operating unit to maximise its contribution to the Group.

We are confident the stable geo-political and economic climate coupled with strong liquidity and sustained consumer demand will be better for the Group. The areas of the economy that we are involved in, particularly the plantation, property and financial sectors, will remain our driving force and are expected to

continue to yield handsome dividends to our profitability.

Prospects for our Plantation Division in light of reasonable CPO prices are bright. While rising petroleum prices threaten to drive up production costs, strategic initiatives and prudent cost control measures initiated over the years will mitigate price erosion and production cost.

The Plantation sector is poised to benefit from the strong off-take of palm oil from the US, China and EU countries. This is attributed in part to the impact of the widespread Asia rust fungus

Telok Sengat Estate, Johor.



which would affect soybean yields for 2005. In addition, a new ruling on the labelling of food products by the US Food and Drug Administration may favour the import of palm oil.

We foresee continued positive market sentiment in response to our property developments, especially in Mutiara Damansara. Public response to recent launches has been very encouraging and this trend is expected to continue in 2005. The opening of the Curve will broaden the product mix for the Property Division and add further impetus to its earnings growth.

ACKNOWLEDGEMENTS

As a long established Malaysian listed corporation, the management team and staff have done their utmost to align the Group's growth strategies with the country's nation building objectives. I am confident we will continue to do so in the coming financial year. On this note a deep sense of gratitude to our management, work force, shareholders, financiers, consultants, business partners and government authorities who have helped us in one way or another to deliver our strong results for this financial year.

Terima kasih.



**Gen. (R) Tan Sri Dato'
Mohd Ghazali Hj. Che Mat**
Chairman
24 February 2005

