BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD (11106-V)
17th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

www.bhic.com.my

BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD (11106-V)

ANNUAL REPORT 2015

Boustead Heavy Industries Corporation Berhad 11106-V
(A member of Boustead Group)

DRIVEN BY RESILIENCE

ANNUAL REPORT 2015

DERIVING VALUE FROM STRENGTH

Our commitment to excellence is unwavering. With a foundation of strength built over the years, we are dedicated to deriving value from our core businesses, allowing us to grow stronger with time.

INSIDE THIS REPORT

CHAIRMAN'S PERSPECTIVE

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman

"AS WE MOVE FORWARD, WE REMAIN COMMITTED TO ENHANCING VALUE FOR OUR SHAREHOLDER BY PURSUING VIABLE OPPORTUNITIES AND EXPLORING NEW BUSINESS STREAMS"

FEATURES

Driven By Resilience

Riding the waves in a dynamic marketplace, Boustead Heavy Industries Corporation Berhad is navigating forward by strongly focusing on ship building and ship repair businesses. Driven by resilience, we have demonstrated fortitude and strengthened our capabilities whilst enhancing operational excellence in order to harness our full potential. Having the agility and tenacity will enable us to steer through challenging times and emerge even stronger than before.

MANAGING DIRECTOR'S STATEMENT

TAN SRI DATO' SERI AHMAD RAMLI HAJI MOHD NOR
Deputy Chairman/Group Managing Director

"TO BE GOOD IS NOT GOOD ENOUGH. ONLY IF WE DEDICATE OURSELVES TO ALWAYS EXCEED CUSTOMER EXPECTATIONS CAN WE CONFIDENTLY NAVIGATE OUR PASSAGE TO EXCELLENCE"

OPERATIONAL HIGHLIGHTS

RM66.5 million LOA received by BNT from BNS

RM15.6 million BHIC Bofors Asia receives contract from Mindef

RM94.374 million LOA received by BNT from BNS

RM531,201,215 LOA by BDNC from Government of Malaysia (GoM) for the extension of ISS contract

RM153,160,900 and EUR70,296,050.85 additional letter of acceptance (LOA) by BDNC from GoM for the ISS Contract on 2 units of PM Class Submarines

RM432,403,722 and EUR169,859,453 Refit Contract received by BDNC from the GoM

RM92.4 million Letter of Work received by BN Shipyard from Mindef on refit of KD Pahang

USD17.1 million sale of 3 Chulan tankers to Jasa Merin PLC

RM4.8 million contract received by BP Shipyard from Trans Resources Corporation Berhad (TC) for technical assistance and coordination on the construction of infrastructures of RMN KK Base.

BHIC Defence Technologies partnered with Airbus Helicopters Malaysia Sdn Bhd (AHM) to provide full flight simulator trainings to EC 225/EC 725 helicopter pilots.

700,000 man-hours of fabrication without LOST-TIME INJURY/ INCIDENT on BELUM TOPSIDES.

BELUM TOPSIDES (BE-SA) facilities for Murphy completed the load and sail away.

FIRST STEEL CUTTING ceremony for the Littoral Combat Ship (LCS)

ABOUT US

Boustead Heavy Industries Corporation Berhad (BHIC) is a conglomerate with diverse maritime and aerospace interests in the defence, enforcement and security sector, commercial and energy sectors, including the following capabilities:

- Shipbuilding of military and commercial craft
- Ship repair and MRO for military, commercial and private vessels
- Fabrication of structures and modules for the oil and gas industry
- MRO of electronics, electrical and control systems, engines, communication equipment and weaponry
- MRO of helicopters and submarines
- Manufacturing of aerospace components and propellants
- Management of Integrated Logistics Support (ILS)

VISION

THE LEADING MARITIME, DEFENCE & ENERGY SOLUTIONS PROVIDER

MISSION

TO DELIVER PRODUCTS AND SERVICES MEETING QUALITY, TIME & COST OBJECTIVES TO MAXIMISE STAKEHOLDERS RETURNS

AT A GLANCE

REVENUE
CONTINUING OPERATIONS
RM265.6 MILLION

EMPLOYEES
1,710

SHAREHOLDERS' FUNDS
RM269.8 MILLION

TOTAL ASSETS
RM738.9 MILLION

EBITDA
CONTINUING OPERATIONS
RM20.4 MILLION

UES

BELONGING
- OWNERSHIP
- LOYALTY
- PRIDE
- TEAMWORK

HONOUR
- PROFESSIONALISM
- COURAGE
- SINCERITY
- DIGNITY

INTEGRITY
- CONSCIENCE
- HONESTY
- CONFIDENTIALITY
- ACCOUNTABILITY

COMMITMENT
- INITIATIVE
- INNOVATION
- ENTHUSIASM
- TIMELINESS

OUR CORE BUSINESS

Amongst the best facilities in Malaysia with yards located in Pulau Jerejak (Boustead Penang Shipyard), Lumut (Boustead Naval Shipyard) and Langkawi (Boustead Langkawi Shipyard).

Able to deliver a range of ILS services ranging from surface ships to submarines and helicopters. With a formidable network of vendors that can be leveraged to meet consumer demands, the Group is developing world class capabilities to deliver cost effective support that ensures optimal operational availability of critical assets.

The Group provides a complete range of platform and equipment maintenance, repair and overhaul services. Strategically important and valuable assets for the defence and security sectors must be entrusted to capable companies that ensure complete, integrated MRO solutions. BHIC's MRO activities cover military and commercial surface vessels, submarines, helicopters and critical equipment such as combat management and essential control systems, defence electronics, electrical equipment and engines.

Our manufacturing capabilities in Contraves Advanced Devices (CAD) enhance our MRO activities by offering possibilities for system respecification and re-engineering to overcome the threats of obsolescence. The venture by BHIC into Pyrotechnical Ordnance Malaysia Sdn Bhd (POM) to produce artillery propellants was in direct response to the need for national self reliance.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 44th Annual General Meeting of the Company will be held at The Royale Ballroom, Level 2, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 30 March 2016 at 10.00 a.m. to transact the following businesses:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 and the Reports of Directors and Auditors thereon.

2. To re-elect Abd Malik A Rahman who retires in accordance with Article 77 of the Company's Articles of Association. **Resolution 1**

3. To consider and if thought fit, to pass the following Ordinary Resolution: **Resolution 2**

   "THAT Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

4. To consider and if thought fit, to pass the following Ordinary Resolution: **Resolution 3**

   "THAT Datuk Azzat Kamaludin retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

5. To approve Directors' Fees in respect of the financial year ended 31 December 2015. **Resolution 4**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration. **Resolution 5**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:

7. **AUTHORITY TO ISSUE SHARES** **Resolution 6**

   "THAT subject always to the Companies Act, 1965 and the approvals of the relevant authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Resolution 7**

   "THAT subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its Subsidiaries to enter into all transactions involving the Related Parties as specified in Section 2.4 of the Circular to Shareholders dated 8 March 2016 provided that such transactions are:

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

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by a resolution passed by the Shareholders in a General Meeting

whichever is earlier.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

9. **PROPOSED SALE OF 3 CHEMICAL TANKERS BY BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD'S SUBSIDIARIES, NAMELY BHIC MARINE CARRIERS SDN BHD, BHIC MARINE VENTURES SDN BHD AND BHIC MARINE TRANSPORT SDN BHD TO JASA MERIN (LABUAN) PLC FOR A TOTAL CASH CONSIDERATION OF USD17.1 MILLION ("PROPOSED SALE")** **Resolution 8**

"THAT subject to the fulfilment of the condition precedent and/or relevant requirements for completion being met and/or the required approval of any other relevant authorities/parties being obtained, approval be and is hereby given for BHIC Marine Carriers Sdn Bhd ("BMC"), BHIC Marine Ventures Sdn Bhd ("BMV") and BHIC Marine Transport Sdn Bhd ("BMT"), being wholly owned subsidiaries of the Company, to sell the 3 chemical tankers known as Chulan 1, Chulan 2 and Chulan 3, to Jasa Merin (Labuan) Plc ("JML"), for a total cash consideration of USD17.1 million subject to the terms and conditions as stipulated in the Memoranda of Agreement dated 23 December 2015 entered into by BMC, BMV and BMT with JML;

"THAT the proceeds arising from the Proposed Sale be utilised for the purposes as set out in Section 2.10 of the Circular to Shareholders dated 8 March 2016 in relation to the Proposed Sale, and the Board of Directors of the Company ("the Board") be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient in the best interest of the Company;

AND THAT the Board be and is hereby authorised to act, to take all such steps and to execute all necessary documents for and on behalf of the Company as they may consider expedient or deem fit in the best interests of the Company to give full effect to the Proposed Sale and all matters relating thereto, with full power to assent or to effect any conditions, modifications, variations and/or amendments as may be imposed or required by any relevant authorities and/or as the Board deems fit in the best interests of the Company."

10. To transact any other business of which due notice shall have been received.

BY ORDER OF THE BOARD

LILYROHAYU AB. HAMID @ KASSIM
SUZANA SANUDIN
Secretaries

Kuala Lumpur
Date: 8 March 2016

Notes

1. Only depositors whose names appear in the Record of Depositors as at 22 March 2016 shall be regarded as members and entitled to attend, speak and vote at the meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a Member of the Company and a member may appoint any persons to be his proxy. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.

4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.

7. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 17th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

8. Audited Financial Statements for the financial year ended 31 December 2015

   The Audited Financial Statements under Agenda item no. 1 are meant for discussion only as it does not require shareholders' approval pursuant to the provision of Section 169(1) and (3) of the Companies Act, 1965. Hence, it will not be put for voting.

9. *Explanatory notes on Special Business:*

   Resolution 6
   The Proposed Resolution 6, if passed, will give the Directors, from the date of the above Annual General Meeting, authority to issue shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interests of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the 43rd Annual General Meeting held on 2 April 2015 and which will lapse at the conclusion of the 44th Annual General Meeting.

   Resolution 7
   The proposed Ordinary Resolution 7, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

   Further information on the Mandate is set out in the Circular to Shareholders dated 8 March 2016 which is dispatched together with the Company's Annual Report 2015.

   Resolution 8
   The proposed Ordinary Resolution 8, if passed, will empower the Board to sell the 3 Chemical Tankers to JML for a total cash consideration of USD17.1 million.

   Further information on the Proposed Sale is set out in the Circular to Shareholders dated 8 March 2016 which is dispatched together with the Company's Annual Report 2015.

STATEMENT ACCOMPANYING NOTICE OF 44TH ANNUAL GENERAL MEETING

A. PROFILE OF THE DIRECTOR WHO ARE STANDING FOR RE-ELECTION ARE SET OUT ON PAGE 61 OF THIS ANNUAL REPORT.

B. PROFILES OF THE DIRECTORS WHO ARE STANDING FOR RE-APPOINTMENT ARE SET OUT ON PAGE 59 & 60 OF THIS ANNUAL REPORT.

Boustead Heavy Industries Corporation Berhad 11106-V
(A member of Boustead Group)

17 February 2016

The Shareholders
Boustead Heavy Industries Corporation Berhad

Dear Shareholders,

RE : NOMINATION FOR RE-ELECTION AS A DIRECTOR

The following directors are due for retirement by rotation and have offered themselves for re-election at the forthcoming Annual General Meeting of the Company to be held on 30 March 2016:-

a)	Abd Malik A Rahman *	Pursuant to Article 77 of the Company's Articles of Association
b)	Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Hj Mohd Nor (B) *	Pursuant to Section 129 of the Companies Act, 1965
c)	Datuk Azzat Bin Kamaludin *	Pursuant to Section 129 of the Companies Act, 1965

(* Collectively referred to as "the Individual Directors")

The Nominating Committee of the Board has reviewed and evaluated the performance and contribution of the Individual Directors and assessed their credentials to continue serving the Company effectively as directors, including their independence (where relevant). That review has been considered by the Board as a whole, save for the Individual Directors mentioned, and the Board has unanimously determined to recommend to Shareholders that the Individual Directors be re-elected as directors of the Company at the forthcoming Annual General Meeting of the Company.

Thank you.

Yours sincerely,

DATUK AZZAT KAMALUDIN
Director/
Chairman of Nominating Committee

17th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.
Tel: +603-2078 7770 Fax: +603-2078 7768 Website: www.bhic.com.my

BHIC
IN THE NEWS

Boustead Naval Shipyard wins RM96.3mil job

PETALING JAYA: Boustead He... Industries Corp Bhd's (BHIC) a...

Boustead terima anugerah kontrak perkhidmatan REFIT

"Industri pertahanan adalah penting untuk keselamatan nasional dan penyelenggaraan aset strategik adalah elemen penting mencapai objektif berkenaan"

BHIC mahu capai kecekapan operasi yang lebih baik

BHIC EKSPORT KAPAL PERANG

- Syarikat peruntuk pelaburan RM300j

BT

Going big regionally

BHIC partners Airbus Helicopters to provide flight simulator training

KUALA LUMPUR: BHIC Defence Technologies Sdn Bhd, ... unit of Boust... tries Corp Bhd ...nered up with

BHICAS targets bigger market

STRONG TRACK RECORD: Company upbeat on expanding MRO services to larger customer base

BHIC announces corporate reorganisation

BHIC bags two contracts worth RM111.9m from Defence Ministry

BY SHALINI KUMAR

KUALA LUMPUR: Boustead Heavy Industries Corp Bhd (BHIC) has been awarded two contracts by the Ministry of Defence, totalling RM111.9 million.

One is for the supply and delivery of spares, maintenance and training of the Bofors 57mm gun for the Royal Malaysian Navy for a value of RM15.6 million over a

Boustead unit gets extension for navy contract

"The additional LOA amends the extended contract, which would now have a value of RM153.16 million and €70.3 million, with a revised tenure to March 31, 2018."

Boustead Heavy Industries Corp Bhd

Boustead unit secures RM4.8mil contract

KUALA LUMPUR: Boustead Heavy Industries Bhd's unit, Boustead Penang Shipyard Sdn Bhd (BP Shipyard), has secured a RM4.8mil contract from Trans Resources Corp Sdn Bhd.

In a filing with Bursa Malaysia, Boustead said its unit had received the executed formal contract from Trans Resources to formalise the appointment of BP Shipyard as the technical assistance and coordination services provider in the frame of the main contract entered into between DCNS S.A. (France) and Trans Resources.

This was relating to the design, construction/adaptation of certain infrastructures of the Royal Malaysian Navy Kota Kinabalu naval base, it said.

The contract was signed for 12 months, effective Feb 1, 2015.

The contract will have a material effect on the earnings of the Boustead group for the financial year ending Dec 31, 2015 and will contribute positively to its earnings for the financial year ending Dec 31, 2016. — Bernama

Boustead unit bags RM92m Mindef contract

BOUSTEAD Holdings Bhd's unit, Boustead Naval Shipyard Sdn Bhd has bagged a RM92.43 million contract from the Ministry of Defence Malaysia (Mindef) for the ... vessel, known as ... y. In a note to the ... ing company said ... positively to the ... ear ending Dec 31, ... nent was executed

BHIC wins RM1.23bil job from the Government

KUALA LUMPUR: Boustead Heavy Industries Corp Bhd (BHIC) has secured a contract worth a total of RM1.23bil from the Government to provide refit services for two units of submarines.

In a filing with Bursa Malaysia, BHIC said ...

is 18 months from the respective start date for the relevant submarine refit.

The company said the statement that the LoA would have a material effect on the earnings of the BHIC group for the financial year ending Dec 31, ...

BHIC posts RM21.5m PAT first 9 months

KUALA LUMPUR: Boustead Heavy Industries Corporation Bhd's (BHIC) profit after tax for the first nine months ended Sept 30, 2015, stood at RM21.5 million, compared with RM22.1 million reported for ...

Overhaul (MRO) activities.

However, BHIC said, associate company Boustead Naval Shipyard Sdn Bhd's results were affected in the period due to a provision for foreseeable loss made for the ...

BHIC terima kontrak senggaraan kapal selam

KUALA LUMPUR – Boustead DCNS Naval Corp. Sdn. Bhd. (BDNC), sebuah subsidiari Boustead Heavy Industries Corporation Bhd. (BHIC), telah menerima kontrak perkhidmatan senggaraan dua unit kapal selam Kelas Perdana Menteri Tentera Laut Diraja Malaysia ...

10 亿订单在手

实得重工今年有看头

占 80 %

私比例

BHIC to focus on navy jobs

MAIN CUSTOMER: 80pc of revenue derived from Malaysian armed forces

OOI TEE CHING
KUALA LUMPUR
bt@mediaprima.com.my

BOUSTEAD Heavy Industries Corp Bhd (BHIC) will continue to focus on shipbuilding, repairs and maintenance work for the Royal Malaysian Navy, says its chairman Tan Sri Lodin Wok Kamaruddin.

Currently, around 80 per cent of BHIC's revenue is derived from its contracts from the Malaysian armed forces, while the remainder are orders from its commercial clients.

"Our No. 1 priority is the navy. We make sure we give the best possible services with the highest level quality, so that our navy ...

BHIC chairman Tan Sri Lodin Wok Kamaruddin says the company's top priority ...

BHIC mahu perluas binaan tempatan OSV

AHMAD RAMLI

BHIC to sell three chemical tankers for US$17.1 m

KUALA LUMPUR: Boustead Heavy Industries Corporation Bhd (BHIC), via three subsidiaries, plans to sell three chemical tankers for US$17.1 million (RM71.3 million).

The memorandum of agreements (MoA) for the Chulan Tankers was signed by BHIC Marine Carriers Sdn Bhd, BHIC Marine Ventures Sdn Bhd, and BHIC Mar... Transport Sdn Bhd ... the buyer, Jasa Me... (Labuan) PLC, a whol... owned unit of Jasa Me... Malaysia Sdn Bhd.

... igating otherwise significant capital losses at that time," BHIC managing director Datuk Seri Ahmad Ramli Mohd Nor said in a statement.

He said while the vessels have been consistently employed, operating profits have not been sufficient to cover all financing costs.

"The Board decided ...

Kewujudan kapal selam buka peluang rakyat Sabah jadi pekerja mahir

Sherell Ann Jeffrey

KOTA KINABALU: Kewujudan kapal selam di negara ini bukan saja dianggap sebagai senjata strategik negara, tetapi ia juga membuka peluang kepada lebih ramai rakyat Malaysia, khususnya rakyat Sabah untuk menjadi pekerja berkemahiran tinggi dalam bidang penyelenggaraan kapal selam.

BHIC gets additional RM531mil government contract

KUALA LUMPUR: Boustead DCNS Naval Corp Sdn Bhd, a 60%-owned unit of Boustead Heavy Industries Corp Bhd (BHIC), has received an additional contract with a ceiling value of RM531.2mil from the Government.

In a filing with Bursa Malaysia, BHIC said the contract was for the in-service support (ISS) for two units of Prime Ministers class submarines for the Royal Malaysian Navy.

It said the additional contract value for the extension of the ISS contract would commence yesterday to May 31, 2017.

"The ISS contract will have a material effect on the earn... year endin... positively ...

Meanwh... executive ...

director Tan Sri Ahmad Ramli Mohd Nor said the contract would allow the company to continue the maintenance of the two submarines prior their refit.

Untung bersih 9 bulan BHIC RM21.5j

Boustead Heavy Industries Corporation Bhd (BHIC) mencatatkan keuntungan selepas cukai RM21.5 juta bagi tempoh sembilan bulan berakhir 30 September 2015 berbanding RM22.1 juta dalam tempoh sama tahun lalu.

Boustead Heavy gets extension to service Scorpene submarines

PETALING JAYA: Boustead Heavy Industries Corporation Bhd (BHIC) has secured an additional contract from the federal government in relation to the in-service support (ISS) for two units of the Scorpene submarines for the navy worth RM531.2 million.

BHIC said the additional contract value was for the extension of the ISS contract period up to May 31, 2017.

"The ISS contract will ha... effect on the earnings of BH... financial year ending Dec 31, ... contribute positively to its fi... it said.

On Sept 3 last year, BHIC's subsidiary, Boustead DCNS Naval Corporation Sdn Bhd, received the formal contract for the much-talked about Scorpene submarines, four years after the deal was first announced.

CHAIRMAN'S PERSPECTIVE

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman

DEAR VALUED STAKEHOLDERS,

2015 WAS A VERY CHALLENGING YEAR FOR THE MALAYSIAN ECONOMY, AS WE FACED A SHARP DECLINE IN COMMODITY PRICES AND TURBULENCE IN FOREIGN EXCHANGE MARKETS. THE CONTINUED DEPRECIATION OF THE MALAYSIAN RINGGIT AGAINST THE US DOLLAR HAS HURT THE GROUP'S BOTTOM LINE AS A RESULT OF OUR FOREIGN CURRENCY-DENOMINATED BORROWINGS.

The global economy continues to be fragile. Like many oil-producing nations, Malaysia has been hit hard by the substantial decline in oil prices and it is not a transitory phenomenon.

The commercial shipbuilding sector has not been performing well and cuts in the oil and gas industry's capital expenditures will make it harder to win new fabrication projects. Fortunately, for Boustead Heavy Industries Corporation Berhad (BHIC), our position in serving the defence sector remains strong.

RM1.09 PER SHARE
net assets per share

RM269.8 MILLION
shareholders' funds

In this environment, the Group is closely examining the deployment of available resources and optimising both our corporate organisation and human capital structures. Under the guidance of the Board, this will lead to organisational right-sizing in the year ahead.

In October 2015, ministers of the 12 member countries of the Trans-Pacific Partnership Agreement (TPPA) announced conclusion of the TPPA negotiations, heralding a major milestone in the TPPA. The Group has formed a committee to review the impact of TPPA on BHIC.

On behalf of BHIC's Board of Directors and management, I am pleased to present our Annual Report and audited financial statements for the financial year ended 31 December 2015.

FINANCIAL PERFORMANCE

The Group recorded a loss after tax of RM30.7 million in 2015 as compared with RM17.9 million net profit reported in the preceding year.

Net assets per share were RM1.09 per share and shareholders' funds stood at RM269.8 million as at year end.

A detailed description of our performance during the year is provided in the Managing Director's statement.

DIVIDEND

The BHIC Group believes in delivering shareholder value while exercising appropriate stewardship over Group resources. Taking into account the Group's financial position, the Board of Directors is not recommending the payment of a dividend in respect of the financial year ending 31 December 2015.

MAJOR ACHIEVEMENTS

The physical construction of the six Second Generation Patrol Vessel - Littoral Combat Ships (SGPV-LCS) began during the year. The first delivery is expected in 2019 with the remaining five ships to be delivered at regular intervals thereafter. The Group's associate, BN Shipyard holds the design rights of the LCS platform, which raises the possibility of offering it for future projects.

The 17-Metre Harbour Tug, "Marsden Bay", a first in class highly automated tugboat, was successfully delivered to North Tugz Ltd, New Zealand in July 2015. This marks a further milestone in our collaboration with Macduff Ship Design Ltd of Scotland.

TRAVELIFT
3.6
3.4
3.2


BE-SA

The Group is taking a cautious approach to expanding its oil and gas business in view of the present competitive environment and capital expenditure cuts announced by oil majors. The current Belum (BE-SA) Topsides fabrication for Murphy's SK309/311 Phase 2 Sarawak Gas Development Project completed its sail away, hook up and commissioning during the year. Future engagements will most likely have a stronger services element than before.

ENTRY POINT PROJECT

BHIC's Entry Point Project (EPP) under the Malaysian Shipbuilding and Ship Repair Industry Strategic Plan 2020 to design Malaysia's first offshore support vessel (OSV) in collaboration with the Marine Technology Centre, University Technology Malaysia (MTC-UTM) has reached its final stages. After undergoing tank testing in July 2015, the platform designs are now complete and have been approved by Bureau Veritas. The Research and Development works on detailed drawings, production drawings and 3D modelling for the construction stage is on-going. However, given the current challenging environment, the Group expects no improvement in the market situation for OSVs in the short to medium term.

CORPORATE GOVERNANCE

Good corporate governance is the hallmark in fulfilling our commitment to the market place. Taking our cue from the Malaysian Code on Corporate Governance 2012 and other relevant guidelines, we are committed to ensuring that high standards of corporate governance are practised across the Group. This underpins our responsibility to protect and enhance shareholders' value.

THE VOYAGE AHEAD

Slow growth in global trade volumes and over-supply of various categories of existing vessels in the main shipping markets has resulted in weak demand for new building. The emphasis of defence spending in the 2016 budget was on investments in procurement and improving welfare for the Malaysian Armed Forces personnel, whereas the previous budget was focused on asset acquisition in particular the SGPV-LCS. However, demand for new naval vessels will continue as the fleet is modernised over time. Meanwhile, the Group will continue its focus on maintenance and repair of military equipment.

APPRECIATION

Finally, on behalf of the Board, I would like to express my sincere appreciation to all our valued shareholders, clients, bankers and various Government entities, including the Prime Minister's Office, Ministry of Finance, Ministry of Defence, Ministry of Transport, the Malaysian Armed Forces and the Malaysian Maritime Enforcement Agency for their continued support. I would also like to express my gratitude to members of the Board and management for their contribution and counsel. A ship without its crew is ineffective and I must thank our employees who play an important part in BHIC.

Undoubtedly, BHIC will face challenges in the year ahead. We will continue to focus on improving our productivity, cost control measures, right-sizing the organisation and prudence in the continuous management of our business risks. With these measures in place, we remain cautiously optimistic.

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman
8 March 2016

MANAGING DIRECTOR'S STATEMENT

TAN SRI DATO' SERI
AHMAD RAMLI HAJI MOHD NOR
Managing Director

DEAR VALUED STAKEHOLDERS,

OVERVIEW

IN 2015 WE FACED ANOTHER CHALLENGE: THE SIGNIFICANT DROP IN THE OIL PRICE, WHICH NEGATIVELY IMPACTED THE LOCAL OIL AND GAS AS WELL AS THE SHIPBUILDING AND SHIP REPAIR (SBSR) INDUSTRIES. THE MOVE BY MAJOR OIL COMPANIES TO CUT THEIR DEVELOPMENT EXPENDITURE HAS REDUCED THE DEMAND FOR OFFSHORE SUPPORT VESSEL SERVICES AND MAJOR NEW FABRICATION WORK.

In this circumstances the SBSR industry must be resilient and maintain its competitiveness. All players must adjust to a demanding environment in the next few years until the oil price stabilises.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2015, the BHIC Group posted a loss after tax of RM30.7 million on the back of RM265.6 million in revenue compared with net profit of RM17.9 million on RM299.6 million in revenue in the preceding year.

The heavy engineering segment registered a loss in the current period. Segmental income is generated from defence related Maintenance, Repair and Overhaul (MRO) projects and Boustead Penang Shipyard Sdn Bhd ("BP Shipyard")'s Oil and Gas project. Results were impacted by the fact that certain variation order works on the Belum Topside Project could not be recognised pending client approval.

The manufacturing segment income was derived mainly from work undertaken by a joint venture company for the Second Generation Patrol Vessel - Littoral Combat Ship (SGPV-LCS) project. Overall, joint venture companies performed better in 2015.


F-Z WDQ
← 33 | 15 →

The chartering segment posted an operating loss due to high direct costs incurred by the chemical tankers, while waiting for the disposal plan to produce acceptable results. This situation has now been rationalised with the December 2015 agreement to sell all three CHULAN tankers for USD17.1 million in total. Further details are provided later in this report.

Our associate, Boustead Naval Shipyard Sdn Bhd (BN Shipyard) recorded higher losses due to provision for foreseeable loss for the restoration of KD PERANTAU, additional costs on certain ship repair projects, no new shipbuilding projects undertaken during the year and certain adverse foreign exchange provisions.

Corporate Reorganisation

In August 2015, the Group announced a reorganisation of its corporate structure to achieve better operational efficiencies, organisational clarity and focus on core businesses. The proposed structure divides the Group into three distinct divisions: Defence and Security, Commercial and Energy. A working committee has been set up and meetings are held frequently to monitor progress of the on-going reorganisation.

New Developments

In March 2015, the Group's wholly owned subsidiary, BHIC Defence Technologies Sdn Bhd executed a Share Purchase and Joint Venture Agreement with Airbus Helicopters Malaysia Sdn Bhd to provide Full Flight Simulator training services to pilots of EC225/ EC725 helicopters in the region. Work on the final details of this joint venture is currently on-going.

REVIEW OF OPERATIONS

Heavy Engineering

The heavy engineering segment drove the Group's performance for 2015 through defence related MRO activities.

SHIPBUILDING & FABRICATION

01


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MAJLIS
LITTOR
YANG BERHORMAT
TIMBALA
BOUSTEA

In May 2015, **BP Shipyard** successfully completed the load out and sail away of the offshore Belum Topsides (BE-SA) facilities for Murphy Sarawak Oil Co Ltd. The sail away ceremony was held at BN Shipyard where the fabrication took place. The event was significant also for the fact that we completed over 700,000 man-hours of fabrication without Lost Time Injury or Incident. Hook up and commissioning was completed in July 2015. However, the inability to recognise claims for certain variation works incurred during the year impacted results and this situation will be addressed in the first quarter of 2016.

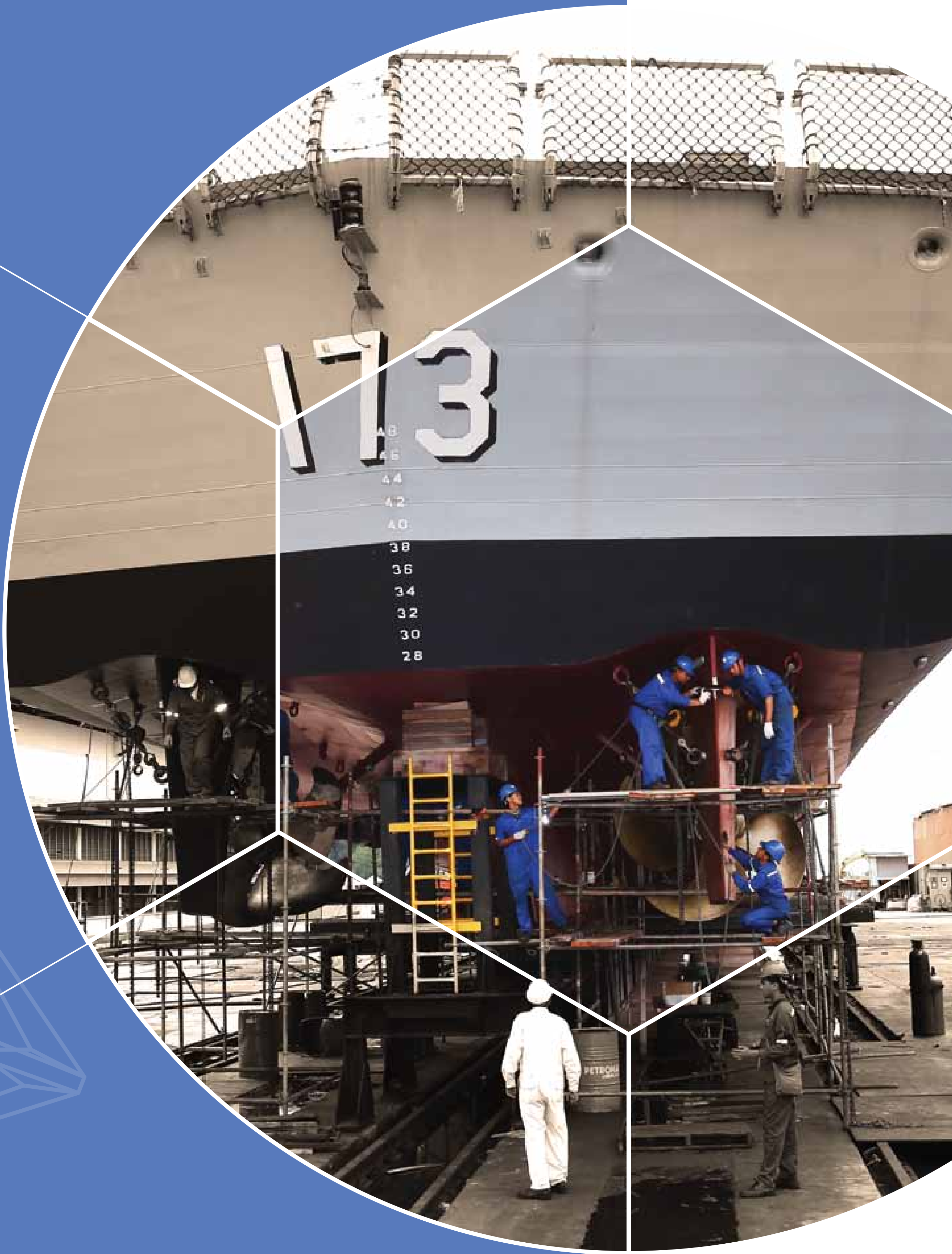
In June 2015, **BN Shipyard** held its first Welding Ceremony or "Majlis Kimpalan Ulung" to mark the beginning of construction of the six LCS for the Royal Malaysian Navy ("RMN"). The event was officiated by the former Deputy Minister of Defence, YB Datuk Abdul Rahim Bakri in the presence of Laksamana Dato' Seri Panglima Ahmad Kamarulzaman Hj Ahmad Badaruddin who was subsequently appointed as the Chief of Navy. For the very first time, Malaysian engineers are involved in the shipbuilding process right from the design phase. The building of the LCS is a significant step forward in advancing Malaysia's maritime and defence industry.

During the year, with technical support from DCNS, BN Shipyard successfully completed preparation works including the upgrading of yard facilities for the construction of the LCS. A training programme was organised in collaboration with the DCNS technical support team to educate the employees on efficient construction methods for the LCS project.

The commercial shipbuilding project for the Design, Supply, Construction, Testing and Commissioning of 17-Metre Harbour Tug, "Marsden Bay" undertaken by BP Shipyard and Boustead Langkawi Shipyard Sdn Bhd ("BL Shipyard") was successfully completed with the delivery of the vessel to North Tugz Ltd, New Zealand in July 2015.

INTEGRATED LOGISTICS SUPPORT

02


173

INTEGRATED LOGISTICS SUPPORT

The Group is developing world class capabilities to deliver cost effective support that will ensure optimal operational availability of critical defence assets.

Boustead DCNS Naval Corporation Sdn Bhd (BDNC), a JV company with DCNS, provides In-Service Support (ISS), covering all maintenance related activities for the two (2) RMN Prime Minister Class Submarines, KD TUNKU ABDUL RAHMAN and KD TUN RAZAK.

The ISS contract for the Government's submarines was formalised in 2014 and BDNC was awarded an additional contract with a ceiling value of RM531,201,215.00 in March 2015 for the extension of the ISS period up to 31 May 2017. After negotiation, BDNC received and accepted the revised and final Letter of Acceptance (LOA) on 12 October 2015 from the Government of Malaysia (GoM) for the Extended Contract at a total dual currency Contract Price of RM153,160,900.00 and EUR70,296,050.85. The tenure of the extended contract was revised to 31 March 2018.

Another positive development was achieved when BDNC received and accepted a new LOA from the GoM, in November 2015, for the refit of the two submarines. The dual currency contract is priced at EUR169,859,453.00 and RM432,403,722.00 (inclusive of GST) and is effective from 1 November 2015. The contractual refit period for each submarine is 18 months from its respective start date.

BHIC Navaltech Sdn Bhd (BNT) provides specialist ISS services to RMN surface ships and submarines. In March 2015, BN Shipyard formalised the issue of an LOA to BNT to undertake the administration and implementation of the supply and delivery of spares, maintenance, Integrated Logistics Support (ILS) and training for the 17th Patrol Vessel Squadron of the RMN. The tenure of the contract is for a period of 3 years to September 2017 at a contract price of RM94.4 million.

MAINTENANCE, REPAIR & OVERHAUL

03

The Group provides a complete range of platform and equipment MRO services. BHIC's MRO activities cover military and commercial surface vessels, submarines, helicopters and critical equipment such as combat management system and essential control systems, defence electronics, weaponry, electrical equipment and engines.

BHIC Allied Defence Technology Sdn Bhd (BHIC ADT), BHIC Electronics and Technologies Sdn Bhd (BEAT) and **BHIC Defence Techservices Sdn Bhd (BDTS)** all contributed to this sector, along with **BHIC Bofors Asia Sdn Bhd (BHIC Bofors)** and **BHIC MSM Sdn Bhd (BHIC MSM).**

BHIC AeroServices Sdn Bhd (BHICAS) deserves a special mention. The company was formed to establish an MRO centre to support the Malaysian Government's aircraft maintenance needs for its fleet of helicopters. To date, BHICAS has secured three major contracts with the GoM to provide In-Service Support for the EC725 fleet with the Royal Malaysian Air Force (RMAF), ISS contract for the Fennec AS555SN fleet with RMN and Integrated Maintenance and Logistic Support for the Dauphin AS365N3 with MMEA. To maintain international quality and competency standards, five BHICAS technicians have undergone Offset Programme training with Airbus Helicopter Training Services, Marignane, France in 2015. The company has secured for itself an enviable reputation for world class operating performance standards in rotary wing aircraft MRO and is building a long term reliable working relationship with its clients.

BN Shipyard provides maintenance, repair and overhaul for RMN vessels and commercial ships. Under the Phase 2 of the BN Shipyard Rationalisation Programme, BN Shipyard successfully implemented its Integrated Hull Outfitting and Painting (IHOP) programme and developed a new approach in production planning. This was proven with the on time completion of ship repair and refit of several RMN vessels in 2015. KD LAKSAMANA HANG NADIM completed its refit and was handed over to RMN. Emergency repair works for KD HANG TUAH, KD KASTURI, KD MAHAWANGSA, KD MUTIARA, KD SELANGOR and KD TERENGGANU were undertaken during the year.

The circumstances surrounding the 2014 incident when KD PERANTAU was partially flooded while docked at Lumut, the subsequent recovery exercise and the expenses associated with the incident and rehabilitation of the vessel were the subject of detailed examination. Shortcomings in the application of our processes and procedures as well as implementation of operational controls have been addressed and should ensure similar situations do not occur in future.

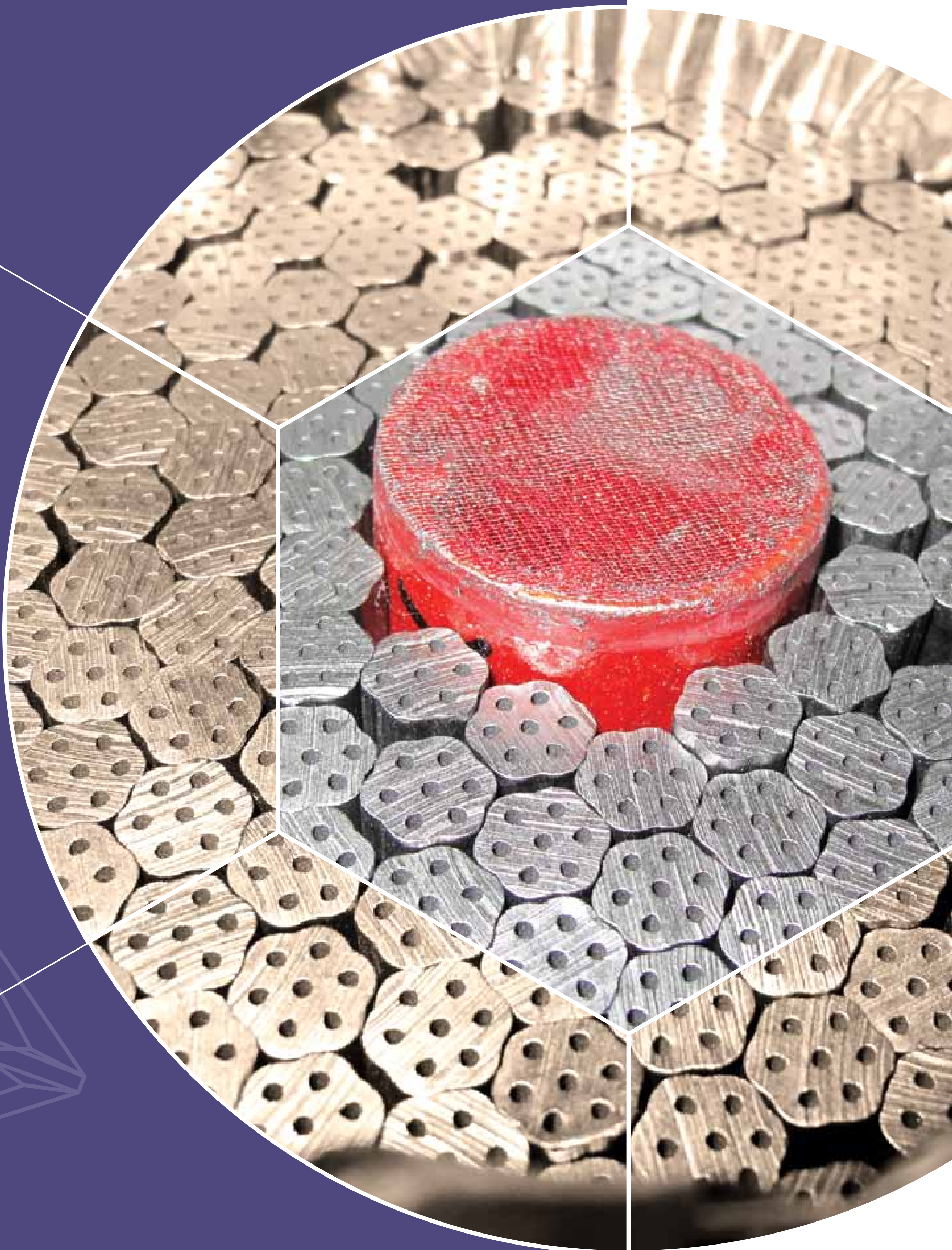
Meanwhile, restoration and refit works on this hydrographic survey vessel which began in March 2015 are expected to be completed in the second quarter of 2016, when the vessel should be handed over to the RMN.

BP Shipyard in Pulau Jerejak, Penang and **BL Shipyard** in Langkawi continued to focus on their individual MRO sector while upgrading their ISO and OHSAS standards during the year.

MANUFACTURIN
& SERVICES

04

G



In December 2015, the Group entered into Memoranda of Agreement with Jasa Merin (Labuan) Plc for sale of its three chemical tankers, MT CHULAN 1, MT CHULAN 2 and MT CHULAN 3 at a price of USD5.7 million each. This is in line with the restructuring and rationalisation exercise that will see BHIC Group focusing its activities in shipbuilding, MRO and oil and gas services. The proposed sale of these chemical tankers is expected to be completed by 31 March 2016, and this segment is now classified as a discontinued operation. For the 2015 financial year, RM12.6 million in impairment losses on disposal was recorded, along with a further RM10.6 million in operating losses.

The Group's manufacturing arm, Contraves Advanced Devices Sdn Bhd (CAD), a joint venture with Rheinmetall Air Defence AG of Germany has a core business to manufacture and integrate electronic systems for advanced industrial, defence and aerospace industries. CAD is the Combat System Equipment Integrator and the supplier of selected combat system equipment for the LCS project. Strong performance throughout the year saw CAD contribute RM22.8 million to BHIC Group results.

MANUFACTURING
& SERVICES

STRATEGIC PLANNING AND TRANSFORMATION

BHIC's Strategic Business Plan 2020 was approved by the Board of Directors in August 2015. A retreat was conducted for senior management team to develop this plan.

Subsequently, BHIC initiated an action plan to facilitate detailed implementation and ensure timelines are established and adhered to.

Ongoing transformation activities including a change management programme for high performers from various business units continued during the year.

Group Wide Transformation Initiatives

BHIC senior leaders play an important role in the Group. During the year, in collaboration with an international Asia-based leadership and governance centre, the Group organised a Senior Leadership Development programme. A total of twenty participants attended this training. The objective was to transform the capabilities of current leaders and CEOs from being purely functional into being business leaders on a personal level, leading eventually to organisational leadership. The anchor theme for the programme was "Leaders Drive Change Themselves".

Health, Safety and Environment

The health, safety and welfare of employees is BHIC's priority. A healthy workforce is key to safe operations and high productivity. This is to ensure that we inculcate a strong safety culture at all levels of the workforce across our Group and our employees recognise that safety is everyone's business.

BHIC HSE Week was organised in September 2015 to expose the employees to the importance of public safety. We engaged with the Kuala Lumpur Fire and Rescue, who helped organise a BHIC Inter Business Unit Fire Fighting event. Ten teams with a total of 76 employees from the Group participated at the Seputeh Fire Station and the Lumut team emerged as the winner. The Kuala Lumpur Fire and Rescue Department provided excellent support and cooperation in handling the day's activities.

"My Community and Passage to Knowledge" - MyCompass

The Group's Intranet Portal – MyCompass was launched in 2015. A technology refresh exercise is underway and will upgrade the IT Platform and Servers. This portal is designed to improve internal communication and enhance a sense of belonging among employees. Continuous updates are made on the MyCompass landing webpage. Employees are notified of internal and external news. A "Welcome Onboard" column was created for the benefit of new recruits. In the coming year, we will roll out a document management system for a smarter working environment.

A beneficial consequence of MyCompass is that it will allow us to conduct multiple administrative tasks in an electronic and paperless manner. Not only will this create internal efficiencies in administration and ease interaction between employees and key departments, it will help us achieve an important Corporate Responsibility and Sustainability objective by reducing our overall carbon footprint.

Procurement Processes & Vendor Development

Our competitive edge depends on having a cadre of efficient and reliable vendors. Today we have 5 vendors under the Vendor Development Programme (VDP) scheme which have successfully completed the Enterprise Innovation Intervention Programme. Further details are provided in the Corporate Responsibility section of this report.

The Group will continue to source more capable vendors to be considered under the VDP scheme, which will be managed as an integral part of our Group Supply Chain and Vendor Development department.

MOVING FORWARD

Outlook

As we move further into 2016, we are heading into uncharted waters, a situation we have faced several times before. Each downturn is different, but we have learnt valuable lessons from the past and have emerged more robust and resilient each time.

The outlook is moderate, however, and we must be vigilant in managing our costs. We must improve efficiency and productivity, enhance project management and execution and deliver projects on budget and on time if we are to pursue growth and drive value.

In the present economic climate we must respond by critically reviewing the entire Group. Difficult questions need to be asked and answered. Therefore, under the guidance of the Board, an exercise was commenced in December 2015 to identify the optimal organisational structure for the Group and create an operationally effective enterprise. An obvious component of this exercise is a critical review of appropriate human capital resources, which will impact all of BHIC. Specific right-sizing initiatives, based on the Group's established performance appraisal processes have commenced in all primary operating facilities, including head office departments and subsidiaries, and will lead to a reduction in overall employee headcount. This is both prudent and unavoidable if the company is to meet its responsibility to stakeholders to achieve long term sustainability.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere gratitude to my colleagues on the Board and Warga BHIC for your dedication and perseverance, while upholding our ethics and values, despite the challenges of a difficult year.

Our shareholders have again shown their unwavering loyalty to the Group and we thank you for this. We also acknowledge the support of the Government of Malaysia, its agencies and regulatory bodies, as well as our customers and business partners. With your continued support in 2016, we will move BHIC into a new era of growth.

TAN SRI DATO' SERI AHMAD RAMLI HAJI MOHD NOR
Executive Deputy Chairman/Managing Director
8 March 2016

CORPORATE RESPONSIBILITY

At BHIC, we believe the future is better when it is shaped together. With that in mind, our social and environmental commitment continues to grow as we work together to make a difference in communities near and far. Corporate responsibility (CR) is an integral part of our Group's DNA and 2015 saw us undertaking several initiatives including exercises designed to deliver betterment for vendors and the under-privileged.

Vendor Development

In line with our continuous effort to improve vendor capability and provide exposure to the global market, the Vendor Development Programme (VDP), which was established in July 2008 under the Vendor Development Management division, once again actively supported capacity building amongst participating vendors.

During the year, BHIC conducted a 'Project Management Professional (PMP)' course and 'ISO 9001 Awareness' course to provide training and enhance knowledge amongst vendors.

Our associate Boustead Naval Shipyard has taken on five vendors under the VDP Scheme and they have successfully completed the Enterprise Innovation Intervention Programme (EIIP) and the Innocert Programme, as part of Lean Management initiatives hosted by MITI and executed by MPC. As a result, these VDP vendors managed to reduce their cost and wastage in a bid to contribute towards a greener environment. They were also able to increase productivity and profits and are now able to become more competitive as a business which can cater to both local and international partners.

To establish more fruitful networking among vendors, BHIC together with other GLCs, Technical Agencies and Financial Institutions participated in the GLC SME ExplorACE 2015 co-hosted with MITI, Pharmaniaga and SME Bank. The activity provided small and medium entrepreneurs (SMEs) much-needed exposure to business opportunities in different areas, while gaining technical and financial support provided by the participating GLCs.

The Group also participated in the GLC Open Day 2015 hosted by Khazanah Nasional, an ideal avenue for job seekers and young graduates to gain deeper understanding of industries related to their fields of expertise.


GLSME

Contributing to the Community

As a Group, it is important for us to consider the disadvantaged members of society within our community. Over the past years, BHIC has been strongly committed to supporting those in need by reaching out to orphanages, schools and the disabled.

Education is a crucial aspect of life, and BHIC strived to ensure that the schools and orphanages which received our support were able to meet the specific needs of students. In 2015, BHIC made donations to various schools and orphanages, including Rumah Amal Kasih Bestari,Madrasatul Quran Yaakubiyah, Darul Ulum Al-Furqani, Kelas Tahfiz & Qiraati Lapangan Terbang Sultan Abdul Aziz Shah and Maahad Tahfiz An-Nur. The donations will assist in providing education supplies for the children.

During the holy month of Ramadhan, BHIC hosted a Majlis Berbuka Puasa Bersama Anak-anak Yatim Bekas Angkatan Tentera and provided cash donations to the orphanages. Additionally, we responded to the Government's call to support education with technology by donating computers and cash to Pusat Jagaan Anak Yatim dan Miskin Sri Kundang in line with their Program Ramadhan al-Mubarak/Syawal 1436 Hijrah/2015.

In our continuous effort to go green and be environmentally conscious, BHIC participated in "Recycle for Charity" which collects unwanted or used items in good condition, namely clothes, books and toys, which are then donated to selected orphanages or charity homes. This year, Rumah Kanak-kanak Nur Salam and Yayasan Kanak-kanak Chow Kit were the recipients.

The year saw BHIC again participating in the Bursa Bull Charge Charity Run organised by Bursa Malaysia Bhd. The five kilometre run raised funds for various organisations including Sekolah Latihan Wanita Ipoh, Persatuan Rumah Amal Sabah (formerly Sabah Cheshire Home), My Performing Arts Agency and CADS Enhancement Centre. The initiative also supports entrepreneurship growth in the community.

Other contributions by the Company during the year included donations to flood victims in Sabah and Sarawak, sponsorship of 10,000 copies of The Star Newspaper-in-Education (NiE) pullout, sponsorship of the "International Conference on Advances in Mechanical Engineering 2015" (ICAME 2015)" jointly organised by FME and Universiti Teknologi MARA (UiTM), participation in the Swing For Charity Golf Tournament', and donations to Yayasan Sultan Azlan Shah and Pusat Kreatif Kanak-Kanak Tuanku Bainun.

OUR PEOPLE

Employee Awareness

As a Group we value integrity. To enhance awareness, a series of discussions were held to inform employees of the relevant legislation and to emphasise the need for good character, dedication and fiduciary duty. Our core values - Belonging, Honour, Integrity and Commitment - epitomise who we are, what we do and what we believe in.

A total of nine townhall sessions were held across the Group in 2015. These were mainly to provide employees with snapshot reviews of the Group's financial and operational performance and the sharing of updates on current developments as well as the future strategic direction and business priorities.

Employee Relations and Right-sizing

BHIC's primary employee retention strategies focus on creating and maintaining a workplace that attracts, retains and nourishes high potential employees. Building a highly engaged workforce takes a combination of many drivers such as senior leadership commitment, performance management, career opportunities, learning and development, reward and recognition, the working environment and empowerment of employees and many more.

All this succeeds only if based on the real world. We face considerable economic challenges and BHIC cannot escape the realities being confronted by many corporate entities in Malaysia across the entire business spectrum.


10,000.00
PUSAT.AKTIVITI.KANAK-
Recycle for Charity
Don't Throw Away Things You Don't Need, There's Somebody Out There Who Needs It More
Sponsorship of 10,000 copies (The Star)
Star NiE School Sponsorship Programme 2015

Accordingly, a corporate right-sizing exercise was approved by the Board in December 2015. This will address both the organisational and human capital structure of the Group. More detail is provided in the Managing Director's Statement.

We also promoted team spirit and belonging at a dinner for Head Office staff where the evening's entertainment was provided by staff from the various departments and operating units.

Human Capital Development

In good times and bad, however, our people are our greatest asset. We remain fully committed to developing a quality workforce to serve the needs of our customers.

Talent development continues to be a strong focus in ensuring our internal bench strength remains resilient. We are committed to developing our employees and investing in learning technology, while championing a diverse and inclusive workforce.

In 2015, a number of training programmes were conducted across the Group, focusing on all 3 categories of employees: subordinate, supervisory and management. Among the programmes conducted were Business English Classes, Supervisory Skills, Contract Management, Project Management, Health and Safety, Integrity and GST updates.

Our signature talent initiative, the Young Engineer Scheme (YES) continues in collaboration with our training academy, BHIC Marine Technology Academy Sdn Bhd. During the year, we also developed an in-house programme on Shipbuilding and Ship Repair modules. A total of 22 new YES participants have graduated in September 2015.


SAAB
Boustead Heavy Industries

Sustainability in the Marketplace

We are dedicated to building a brighter future by ensuring a greener, safer, and healthier present. We are committed to leading the way in low-carbon green growth as well as workplace safety and health to help create a more sustainable future for the Company and our communities.

BHIC has been an active participant of LIMA 2015 held in March. We remained committed to supporting the development of the marketplace in line with the Government's goal to establish Malaysia's maritime industry as a regional hub.

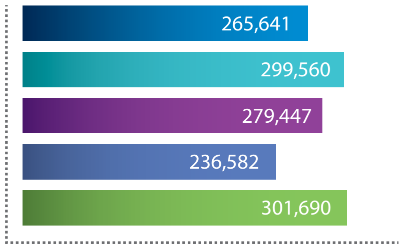
Among the key initiatives in LIMA 2015 were the signing of a Letter of Acceptance (LOA) between Boustead Naval Shipyard Sdn Bhd and Ministry of Defence Malaysia for the supply and delivery of spare parts, maintenance, integrated logistics support and training for the 17th patrol vessel squadron for the Royal Malaysian Navy.

In addition, BHIC Bofors Asia Sdn Bhd also signed an LOA for the supply and delivery of spare parts, services, maintenance and training of Bofors cannon for the Royal Malaysian Navy. A Share Purchase Agreement (SPA) and Joint Venture Agreement (JVA) were also inked between BHIC's subsidiaries, BHIC Defence Technologies Sdn Bhd and Airbus Helicopters Malaysia Sdn Bhd. This significant JVA subsequently called for the provision of Full Flight Simulator training services to pilots of EC225/EC725 helicopters in Malaysia.

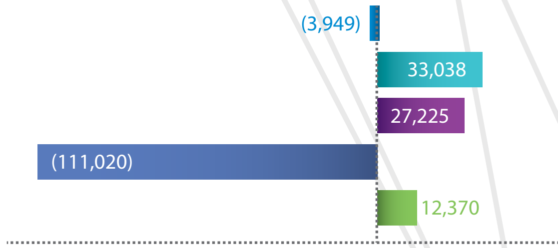
FIVE-YEAR FINANCIAL HIGHLIGHTS

	2015	2014	Restated 2013	Restated 2012	Restated 2011
RM'000					
Revenue from continuing operations	265,641	299,560	279,447	236,582	301,690
(Loss)/Profit before taxation, from continuing operations	(3,949)	33,038	27,225	(111,020)	12,370
(Loss)/Profit after taxation, from continuing operations	(7,538)	30,550	23,426	(108,920)	28,382
(Loss)/Profit attributable to Shareholders	(30,739)	17,850	3,161	(139,132)	21,146
Shareholders' equity	269,819	300,557	282,707	281,259	435,419
Total equity	269,820	300,593	282,743	284,582	441,591
Total assets	738,931	747,232	733,176	875,259	958,701
SEN PER SHARE					
(Loss)/Earnings per share	(12.37)	7.18	1.27	(56.00)	8.51
Net dividend per share	-	–	–	6.00	6.50
Net assets per share	1.09	1.21	1.14	1.13	1.75

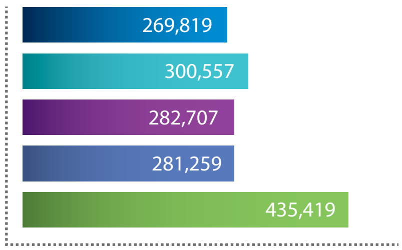
Revenue
(RM'000)



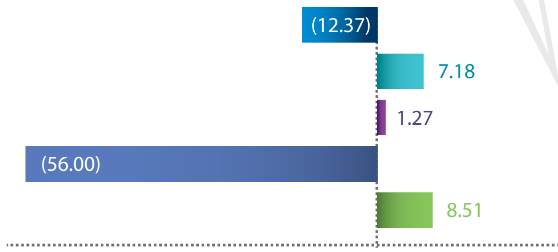
Profit before taxation
(RM'000)



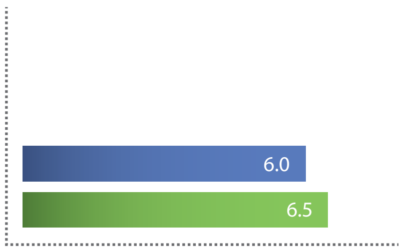
Shareholders' equity
(RM'000)



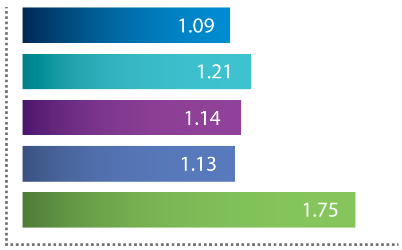
Earnings per share
(sen)



Dividend per share
(sen)



Net assets per share
(sen)



2015 2014 2013 2012 2011

CORPORATE INFORMATION

DIRECTORS

Tan Sri Dato' Seri Lodin Wok Kamaruddin
Chairman

Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor
Executive Deputy Chairman/ Managing Director

Datuk Azzat Kamaludin
Non-Independent Non-Executive Director

Dato' Ishak Osman
Independent Non-Executive Director

David William Berry
Non-Independent Executive Director

Abd Malik A Rahman
Independent Non-Executive Director

SECRETARIES

Lilyrohayu Ab. Hamid @ Kassim
Suzana Sanudin

AUDITORS

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Fax. No: 03-2095 9076

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Fax. No : 03-2078 7768

PRINCIPAL PLACE OF BUSINESS

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Kuala Lumpur, Malaysia
Tel. No: 03-2078 7770
Fax. No: 03-2078 7768

REGISTRAR

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Jalan Kerinchi 59200, Kuala Lumpur.
Tel. No : 03-2783 9299
Fax. No : 03-2783 9222

PRINCIPAL BANKERS

Affin Bank Berhad
Affin Hwang Investment Bank Berhad
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
AmBank Islamic Berhad
Asian Finance Bank Berhad
Bank Pembangunan Malaysia Berhad
Bank Muamalat Malaysia Berhad
Bank Kerjasama Rakyat Malaysia Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Kuwait Finance House
Malayan Banking Berhad
Maybank Islamic Berhad
Maybank International (L) Ltd.

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

WEBSITE

www.bhic.com.my

FINANCIAL CALENDAR

FINANCIAL YEAR

1 January to
31 December 2015

Results

First quarter

Announced
13 May 2015

Second quarter

Announced
6 August 2015

Third quarter

Announced
9 November 2015

Fourth quarter

Announced
29 February 2016

ANNUAL REPORT

Issued
8 March 2016

ANNUAL GENERAL MEETING

To be held
30 March 2016

BOARD OF DIRECTORS

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN

CHAIRMAN

66 YEARS OF AGE, MALAYSIAN

Tan Sri Dato' Seri Lodin was appointed to the Board on 1 January 2008. He is the Chairman of the Remuneration Committee and Executive Committee. He is also Deputy Chairman/ Group Managing Director of Boustead Holdings Berhad and Chief Executive of Lembaga Tabung Angkatan Tentera (LTAT).

Tan Sri Dato' Seri Lodin graduated from the University of Toledo, Ohio, USA with a Bachelor of Business Administration and Master of Business Administration. He has extensive experience in managing a provident fund and in the establishment, restructuring and management of various business interests ranging from plantation, trading, financial services, property development, oil and gas, pharmaceuticals to shipbuilding.

Currently, Tan Sri Dato' Seri Lodin is the Chairman of Pharmaniaga Berhad, Deputy Chairman of Affin Holdings Berhad and Vice Chairman of Boustead Plantations Berhad, which are public listed companies in Malaysia. He is also the Chairman of MHS Aviation Berhad and Affin Hwang Asset Management Berhad. In addition, he holds directorship in UAC Berhad, FIDE Forum, Badan Pengawas Pemegang Saham Minority Berhad, Affin Bank Berhad, Affin Islamic Bank Berhad, Affin Hwang Investment Bank Berhad and Axa Affin Life Insurance Berhad.

Among the many awards Tan Sri Dato' Seri Lodin has received to-date include the Chevalier De La Légion D'Honneur from the French Government, the Malaysian Outstanding Entrepreneurship Award; the Degree of Doctor of Laws honoris causa from the University of Nottingham, United Kingdom; the UiTM Alumnus of The Year 2010 Award and The BrandLaureate Most Eminent Brand ICON Leadership Award 2012. He is also a Chartered Banker, having been awarded with the professional qualification by the Asian Institute of Chartered Bankers (AICB) in November 2015.

Tan Sri Dato' Seri Lodin does not have any family relationship with any Director and/or major shareholder of Boustead Heavy Industries Corporation Berhad, nor any personal interest in any business arrangement involving the Company, except by virtue of being Chief Executive of LTAT. He has no convictions for any offences within the past ten years.

TAN SRI DATO' SERI AHMAD RAMLI HAJI MOHD NOR

EXECUTIVE DEPUTY CHAIRMAN / MANAGING DIRECTOR

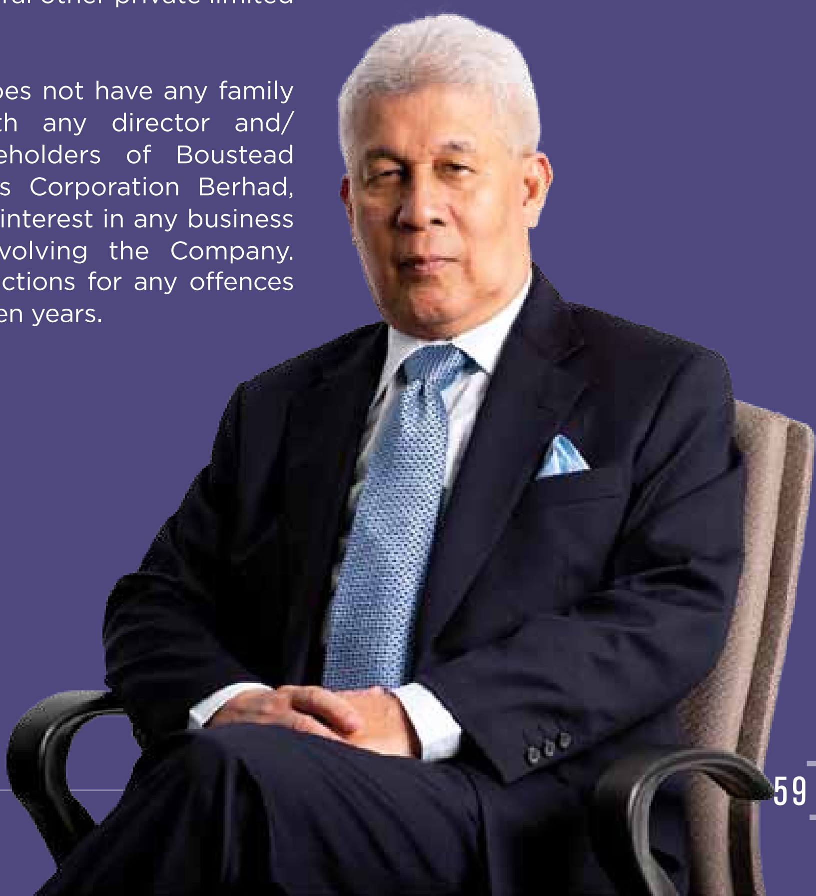
72 YEARS OF AGE, MALAYSIAN

Tan Sri Ramli was appointed to the Board on 17 August 2005. He is a member of the Executive Committee.

Tan Sri Ramli graduated from the Brittania Royal Naval College Dartmouth, United Kingdom. He is also a graduate of the Indonesian Naval Staff College, the United States Naval War College and the Naval Post-Graduate School in Monterey. He holds a Masters Degree in Public Administration from the Harvard University, United States. He served the Royal Malaysian Navy for 34 years, and retired as the Chief of the Royal Malaysian Navy in 1999.

Tan Sri Ramli sits on the board of Affin Islamic Bank Berhad, Favelle Favco Berhad and several other private limited companies.

Tan Sri Ramli does not have any family relationship with any director and/or major shareholders of Boustead Heavy Industries Corporation Berhad, or any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past ten years.



BOARD OF DIRECTORS

DATUK AZZAT KAMALUDIN

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

71 YEARS OF AGE, MALAYSIAN

Datuk Azzat was appointed to the Board on 17 August 2005. He is the Chairman of the Nominating Committee and a member of the Audit Committee.

Datuk Azzat is a lawyer by profession, and is a partner of the law firm of Azzat & Izzat. He holds degrees in Law and International Law from the University of Cambridge and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an Administrative and Diplomatic Officer with the Ministry of Foreign Affairs in various capacities.

Datuk Azzat sits on the Board of Boustead Holdings Berhad, KPJ Healthcare Berhad, Axiata Group Berhad and several other private limited companies.

Datuk Azzat does not have any family relationship with any director and/or major shareholders of Boustead Heavy Industries Corporation Berhad or any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner. He has no convictions for any offences within the past ten years.

DAVID WILLIAM BERRY

NON-INDEPENDENT
EXECUTIVE DIRECTOR

68 YEARS OF AGE, NEW ZEALANDER AND PERMANENT RESIDENT OF MALAYSIA

Mr. Berry was appointed to the Board on 23 February 2006. He is a member of the Executive Committee.

He has over forty years experience in financial services, the commercial sector, and in corporate consulting and held various senior positions with Standard Chartered Merchant Bank in London, Kuala Lumpur and Nairobi, including a posting from 1980 to 1983 as the Chief Executive of Chartered Merchant Bankers Malaysia Berhad (now known as Affin Hwang Investment Bank Berhad). From 1998 to 2001, Mr. Berry was the Managing Director of Affin Fund Management Sdn Bhd. From 2002 to 2004, he was the Executive Director and Chief Executive Officer of Cahya Mata Sarawak Berhad. He also served as a Non-Executive Director of Boustead Holdings Berhad from 1990 to 2002.

Mr. Berry is the Deputy President of Board of Governors of the Malaysian Institute of Corporate Governance and a Director of the Malaysian Investor Relations Association.

He does not have any family relationship with any director and/or major shareholder of Boustead Heavy Industries Corporation Berhad, or any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past ten years.

DATO' ISHAK OSMAN

INDEPENDENT
NON-EXECUTIVE DIRECTOR

67 YEARS OF AGE, MALAYSIAN

Dato' Ishak was appointed to the Board on 22 January 1998. He was re-designated as Independent Non-Executive Director on 1 September 2008. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Dato' Ishak graduated from University of Malaya with a degree in Economics (Hons) majoring in Accountancy and holds a Master of Business Administration in Finance from Leuven University, Belgium. He started his working career in the Ministry of Finance, Malaysia and held various positions in the Ministry during his eleven (11) years with the Government.

Dato' Ishak joined Amanah Merchant Bank Berhad as Senior Manager Project Finance in 1982 and was subsequently promoted to be General Manager Banking & Advisory Service in 1984. In 1987, he moved to Kumpulan Kewangan Malaysia Berhad (KKMB), the holding company of Amanah Merchant Bank as a Senior General Manager-Operation. During his tenure with KKMB, he sat on various Boards namely, Amanah Merchant Bank Berhad, Malaysia Discount Berhad, Amanah International Insurance Berhad, Malaysia Credit Finance Berhad and KK Industries Berhad. In 1989, he assumed the Managing Director's position in Malaysia Credit Finance Berhad.

Dato' Ishak does not have any family relationship with any director and/or major shareholders of Boustead Heavy Industries Corporation Berhad, or any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past ten years.

ABD MALIK A RAHMAN

INDEPENDENT
NON-EXECUTIVE DIRECTOR

67 YEARS OF AGE,
MALAYSIAN

Encik Malik was appointed to the Board as an Independent and Non-Executive Director of Boustead Heavy Industries Corporation Berhad on 1st June 2008. He is the Chairman of the Audit Committee, and a member of both the Nomination Committee and Remuneration Committee.

Encik Malik is a Chartered Accountant member of the Malaysian Institute of Accountants (MIA). He is also a Fellow of the Association of Chartered Certified Accountants (UK), a member of the Malaysian Institute of Certified Public Accountants and a Certified Financial Planner (USA). He is a member of both the Malaysian Institute of Management and Chartered Management Institute (UK),

Encik Malik had held various senior management positions in Peat Marwick Mitchell (KPMG), Esso Group of Companies, Colgate Palmolive (M) Sdn. Bhd., Amway (Malaysia) Sdn. Bhd., Fima Metal Box Berhad and Guinness Anchor Berhad. He was the General Manager, Corporate Services of Kelang Multi Terminal Sdn. Bhd. (Westports) from 1994 until 2003.

Encik Malik sits on the Board of Affin Holdings Berhad, Affin Bank Berhad, Affin Hwang Investment Bank Berhad, Affin Hwang Asset Management Berhad, CYL Corporation Berhad, Innity Corporation Berhad, Lee Swee Kiat Group Berhad and several private limited companies including Boustead Penang Shipyard Sdn Berhad.

Encik Malik does not have any family relationship with any director and/or major shareholders of Boustead Heavy Industries Corporation Berhad, or any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past ten years.

SENIOR MANAGEMENT TEAM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1 **Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor**
Managing Director

2 **David William Berry**
Executive Director

3 **Datuk Yahya Hashim**
Director Of Operations,
Boustead Naval Shipyard Sdn Bhd

4 **Anuar Murad**
Director, Defence & Security Division

5 **Ahmad Nordin Mohammad**
Chief Financial Officer

6 **Ir. Azman Ahmad**
Managing Director,
Boustead Penang Shipyard Sdn Bhd

7 **Dato' Pahlawan Ir. Haji Jasan Ahpandi Sulaiman**
Head, Commercial Division

AUDIT COMMITTEE REPORT

COMPOSITION OF MEMBERS

Chairman

Abd Malik A Rahman
(Independent Non-Executive Director)

Members

Datuk Azzat Kamaludin
(Non-Independent Non-Executive Director)

Dato' Ishak Osman
(Independent Non-Executive Director)

MEMBERS AND MEETINGS

According to the Listing Requirements of Bursa Securities, the Audit Committee shall be appointed by the Board of Directors ("Board") from amongst the Directors of the Company and its number shall not be less than three (3) members, all of whom shall be Non-Executive Directors, with a majority being Independent Directors. The members of the Audit Committee shall elect a Chairman from amongst themselves who is an Independent Non-Executive Director.

The terms of office and performance of the Committee and each of its members shall be reviewed by the Board no less than once every three (3) years.

The Committee met four (4) times during the financial year ended 31 December 2015. Details of the attendance of each member at the Audit Committee Meeting held during the financial year ended 31 December 2015 are as follows:

Name of Director	Status of Directorship	Attendance of Meetings
Abd Malik A Rahman	Independent Non-Executive Director	4/4
Datuk Azzat Kamaludin	Non-Independent Non-Executive Director	4/4
Dato' Ishak Osman	Independent Non-Executive Director	4/4

TERMS OF REFERENCE

Primary Purposes

The Audit Committee ("Committee") shall:

1. provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Company and its subsidiaries ("Group").

2. improve the Group's business efficiency, the quality of the accounting function, system of internal controls and audit function and enhance the confidence of the public in the Group's reported results.

3. maintain through regularly scheduled meetings, a direct line of communication between the Board, the external auditors and the internal auditors.

4. enhance the independence of both the external and internal auditors' functions through active participation in the audit process.

5. strengthen the role of the Independent Directors by giving them a greater depth of knowledge as to the operations of the Group through their participation in the Committee.

6. act upon the Board of Directors' request to investigate and report on any issues or concerns with regard to the management of the Group.

Authority

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company have authority to investigate any matter within its terms of reference, full and unrestricted access to any information pertaining to the Company and all the resources required to perform its duties. The Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity and be able to convene meetings/obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

Functions and Responsibilities

A summary of the key functions and responsibilities of the Audit Committee in accordance with the terms of reference of the Audit Committee are as follows:

1. In relation to the internal audit function:

    a. To review the adequacy of the scope, functions, competency and resources of the internal audit function and ensure that it has the necessary authority to carry out its work; and

    b. To review the internal audit programme, processes and the results of the internal audit programme, processes or investigations undertaken and ascertain whether or not any appropriate actions are taken on the recommendations of the internal audit function.

2. In relation to the external audit function:

   a. To recommend the re-appointment/ nomination of qualified auditors as the external auditor and to review any letter of resignation from the external auditors of the Company;

   b. To meet with the external auditors at least twice in each year to discuss problems and reservations arising from the interim and final audits, and any other matter the auditors may wish to discuss (without the presence of management);

   c. To review with the external auditors, the audit plan, the scope of audit and the audit report, the audit fees, its independence and any conflicts of interest and to assess the appropriateness of any other professional engagements given to the external auditor;

   d. To review the quarterly results and year-end financial statements, prior to the approval by the Board; and

   e. To review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels and to provide an independent assessment of the adequacy, reliability and effectiveness of the risk assessment process and risk management and corporate governance system of the Group.

3. To review any related party transaction and conflict of interest situations that may arise within the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity.

4. To review and evaluate the system of internal control within the Company and the Group with the internal and external auditors.

5. To carry out any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

6. To report to Bursa Malaysia Securities Berhad (Bursa Securities) on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities.

Meetings

The Committee shall meet at least four (4) times in a year subject to the quorum of at least two (2) independent directors or more frequently as circumstances required or upon the request of any member of the Committee with due notice of issues to be discussed and shall record its deliberations and conclusions in discharging its duties and responsibilities. The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.

Procedures of Audit Committee

The Audit Committee may regulate its own procedures, in particular, calling of meetings, notice to be given of such meetings, voting and proceedings of such meetings, keeping of minutes and custody, production and inspection of such minutes.

Secretary

The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The activities undertaken by the Audit Committee during the financial year ended 31 December 2015 were as follows:

1. Reviewed the quarterly financial statements of the Group before approval by the Board for announcements to the Bursa Securities.

2. Reviewed the year-end financial statements together with external auditors' management letter in relation to the audit and accounting issues arising from the audit and management's response.

3. Reviewed and discussed with the External and Internal Auditors on their scope of work, audit plan and procedures.

4. Two private meetings with the External Auditors during the year without the presence of Executive Directors and Management on areas of concern that need to be resolved.

5. Reviewed and discussed the major issues raised in the internal audit reports, audit recommendations, management's response and actions taken to strengthen the state of internal controls in the Company.

6. Reviewed the related party transactions and any conflict of interest situation that may arise within the Group and to ensure that such transactions are undertaken at arms' length, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

7. Reviewed and discussed major financial and risk issues arising from management's various reports, initiating further studies which it deemed necessary and reported to the Board on the findings of its studies, making appropriate recommendations.

8. Reviewed adequacy of resource requirements and competencies of staff within the internal audit function to execute the annual audit plan and the results of the work.

9. Reviewed the overall risk profile of the Group's risk, the significant risks and provided guidance on the action plans to address the identified risks and further reported to the Board thereon.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is carried out by the Group Internal Audit ("GIA") of Boustead Holdings Berhad. GIA provides independent, objective assurance on the areas of operations reviewed, and advice on best practices that will improve and add value to the BHIC Group. GIA adopts a risk-based methodology in planning and conducting audits by focusing on key risks areas. The Group Internal Audit function had operated and performed in accordance to the principles of the Internal Audit Charter that provides for its independence function. The Group internal audit function reports directly to the Audit Committee, and is independent of the activities it audits.

The Company has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective system of internal control and overall governance practices within the Company and Group.

During the financial year, the Group internal audit function had undertaken the following activities:

- Prepared the annual audit plan for approval by the Audit Committee.
- Performed risk based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports.
- On ad-hoc basis performed audits on areas of concern raised by the Audit Committee and/or the Board.
- Issued internal audit reports to the management on risk management, control and governance issues identified from the risk based audits together with recommendations for improvements for these processes.
- Reported on a quarterly basis to the Audit Committee the achievement of the audit plan and status of resources of the Group internal audit function.
- Reviewed the procedures relating to related party transactions.

STATEMENT ON CORPORATE GOVERNANCE

THE CODE

The Board of Directors ("Board") is committed to ensure the highest standards of corporate governance are practiced throughout the Boustead Heavy Industries Corporation Group of Companies ("BHIC Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

Set out below is the manner in 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 Malaysian Code on Corporate Governance 2012 ("Code") and the Corporate Governance Guide ("CG Guide"). These principles and best practices have been applied and complied with throughout the year ended 31 December 2015.

1. BOARD OF DIRECTORS

Board Responsibilities

The Company is led by an experienced Board with a wide spectrum of skills and experience that provides the strength required to lead the Group towards its objectives and enable the Group to rely on the firm control of an accountable and competent Board. The Board is responsible for the Group's overall strategies and objectives, its acquisition and divestment policy, financial policy and major capital expenditure projects and the consideration of significant financial matters. The Board's key responsibilities reflect the recommendations prescribed by the Code. The Board has access to the advice and services of the Company Secretaries and, if necessary, may also obtain independent professional advice at the Company's expense in discharging their duties effectively. The Board is also assisted by several Board Committees namely, the Executive Committee, Audit Committee, Nominating Committee and Remuneration Committee.

The Board is supported by professionally qualified and competent company secretaries. The Company Secretaries play an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation. The Company Secretaries also ensure statutory and meeting records of the Company are properly maintained and relevant disclosures, submissions and filings are made in a timely manner to the regulators. The Company Secretaries constantly keep themselves abreast of the regulatory changes and developments in Corporate Governance through continuous training. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions.

The Board is guided by its documented and approved Limits of Authority ("LoA") which define matters specifically reserved for the Board and the delegated day-to-day management of the Company to the Managing Director/CEO. This formal structure of delegation is further cascaded by the Managing Director/CEO to the senior management team within the Company. However, the Managing Director/CEO and senior management team remain accountable to the Board for the authority that is delegated.

A Board Charter has been developed and adopted which clearly delineates the roles and responsibilities of the Board and Board Committees. The Board Charter also elaborates the fiduciary and leadership functions of the Board and serves as a primary reference for prospective and existing Board members and Management. The Board Charter is reviewed regularly as and when the need arises due to legal and statutory developments, to ensure it complies with legislation and best practices, and remains relevant and effective in the light of the Board's objectives.

The Group is also committed towards sustainable development. Employees' welfare, environment and community responsibilities are integral to the conduct of the Group's business. The corporate social responsibilities report is set out on pages 46 to 53 of this Annual Report.

Annually, the Directors individually complete a formal written assessment of the Board, its performance, composition and conduct. The Chairman collates the opinions and responses of Directors and tables the results for review, comment and recommendation by the Board.

Composition of the Board

The Board has a balanced composition of six (6) members, comprising of three (3) Executive Directors and three (3) Non-Executive Directors. Two (2) of the Directors are Independent Directors, which is in line with the Bursa Malaysia Securities Berhad Main Market Listing Requirements that requires one third (1/3) of Board members to be independent directors. The balanced combination of qualifications, skills and experiences of the Board is important to ensure the successful direction of the Group.

A brief profile of each Director is presented on pages 58 to 61 of this Annual Report.

The Group practices a division of responsibility between the Chairman and the Managing Director and there is a balance of Executive, Non-Executive and Independent Non-Executive Directors. The roles of the Chairman and 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 Managing Director has the overall responsibility for the day-to-day running of the business and implementation of the Board's decisions.

Tan Sri Dato' Seri Lodin Wok Kamaruddin leads the Board as the Chairman of the Company.

The Board continues to give close consideration to its size, composition and spread of experience and expertise that enables the Board to provide effective leadership as well as independent judgement on business decisions, taking into account long term interests of shareholders, customers, suppliers and other business associates with whom the Group conducts its business.

Dato' Ishak Osman is the Senior Independent Non-Executive Director and available to deal with the concerns of various stakeholders in the Company.

The Board believes that the current size and composition is appropriate for its purpose, and 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 Company Secretaries are responsible to ensure the Board meeting procedures are followed and that applicable rules and regulations are complied with.

The Memorandum and Articles of Association of the Company provides for the Chairman to have the casting vote in the event an equality of votes arises over an issue in question.

The Board met for a total of five (5) times during the financial year ended 31 December 2015 and the attendance of each Director is as stated in the table below:

Name of Director	Status of Directorship	Attendance of Meetings
Tan Sri Dato' Seri Lodin Wok Kamaruddin	Executive Chairman	5/5
Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor	Executive Deputy Chairman / Managing Director	5/5
Datuk Azzat Kamaludin	Non-Independent Non-Executive Director	4/5
David William Berry	Executive Director	5/5
Dato' Ishak Osman	Independent Non-Executive Director	5/5
Abd Malik A Rahman	Independent Non-Executive Director	5/5

Information for the Board

The Board is provided with adequate reports in a timely manner prior to the Board meetings 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 information and deliberation.

The Board has approved a procedure for the appointment of independent professional advisers in appropriate circumstances, at the Company's expense. Before incurring such professional fees, the Director concerned must consult with the Executive Deputy Chairman of the Board or with two other directors, one of whom is Non-Executive.

Directors have access to any information within the Company, whether as a full Board or in their individual capacity, in furtherance of their duties.

The Board has direct access to the advice and services of the Company Secretaries who are responsible for ensuring that all appointments are properly made and all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, the Listing Requirements of Bursa Securities and other regulatory requirements.

Appointment and 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. At every subsequent Annual General Meeting, one third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

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

Board Appointments and Commitments

The appointments of a new Director are a matter for consideration and decision by the full Board upon appropriate recommendation by the Nominating Committee. New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board's performance of its duties and to give sufficient commitment, time and attention to the affairs of the Company.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed. The Company has adopted an induction programme for newly appointed Directors. The induction programme aims at communicating to the newly appointed directors, the Company's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and the expectations of the Company concerning input from Directors. The Chairman is primarily responsible for the induction programme with appropriate assistance from other senior Executive Directors.

Board Independence

Independent Non-Executive Directors play a leading role in the Board Committees. The management and third parties are co-opted to the Committees as and when required.

The Code recommends that the Chairman of the Board is a Non-Executive Director; the Board must comprise a majority of independent directors. The Company's Chairman is an Executive Director and there are two (2) independent directors out of six (6) board members. The Board believes that the interests of shareholders are best served by a Chairman who is sanctioned by the shareholders and who will act in the best interests of shareholders as a whole. As the Chairman represents shareholder with a substantial interest in the Company, he is well placed to act on behalf of the shareholders and in their best interests. As the Code has only recently issued its recommendation on independent directors, the Board will continuously evaluate suitable candidates as independent directors to form majority of the Board. However, the process will be executed with due care and careful assesment to ensure a meaningful contribution to the effectiveness of the board as a whole.

DIRECTORS' TRAINING

All Directors of the Company have attended the Mandatory Accreditation Programme conducted by the Approved Organiser. The Directors recognise the importance and value of attending programmes, seminars and forums in order to keep themselves abreast with the current developments of the industry as well as the new statutory and regulatory requirements. All the Directors after assessing their own training needs, have attended the following training programmes, seminars and/or conferences:-

DIRECTOR	LIST OF TRAINING PROGRAMMES/SEMINARS/ CONFERENCES ATTENDED	DATE
Tan Sri Dato' Seri Lodin Wok Kamaruddin	• Affin Hwang Capital Conference Series 2015 : Navigating Through Turbulent Times (Affin Hwang Investment Bank Berhad)	10 February 2015
	• 2nd Distinguished Board Leadership Series - Board's Strategic Leadership Innovation & Growth In Uncertain Times" by Ram Charan, organised (FIDE Forum)	21 May 2015
	• The World Capital Markets Symposium (WCMS) 2015 - Markets And Technology: Driving Future Growth through Innovation by (Securities Commission)	3 September 2015
	• Capital Market Director's Training Program (CDMP) 2015 - Module 2A: Business Challenges and Regulatory Expectations: What Directors Need to Know: Equities & Future Broking	29 September 2015
	• Capital Market Director's Training Program (CDMP) 2015 – Module 4: Current and Emerging Emerging Regulatory Issues In The Capital Market	2 October 2015
	• Capital Market Director's Training Program (CDMP) 2015 - Module 1: Directors As Gatekeepers Of Market Participants	5 October 2015
	• Capital Market Director's Training Program (CDMP) 2015 – Module 2B: Business Challenges and Regulatory Expectations – What Directors Need to Know (Fund Management	7 October 2015
	• Capital Market Director's Training Program (CDMP) 2015 - Module 3: Risk & Compliance Oversight - Action Plan For Board of Directors	20 October 2015
	• Half Day Talk On - Economy And Financial Market Post Global Financial Crisis; - Economic Outlook, Issues and Prospects; and - Addressing Concerns on TPPA (Affin Holdings Berhad)	11 November 2015
	• Half Day Talk By PricewaterhouseCoopers (PwC) on - Budget 2016 and GST Updates; - Cybercrimes in the Financial Services Sector; - Anti Money Laundering Act; and (Affin Holdings Berhad)	3 December 2015

DIRECTOR	LIST OF TRAINING PROGRAMMES/SEMINARS/ CONFERENCES ATTENDED	DATE
Tan Sri Dato' Seri Ahmad Ramli Mohd Nor	• Malaysian Economic Convention 2015 – Financial Governance and Economic Growth – (Malaysian Economic Association)	28 & 29 September 2015
	• 5th Distinguished Board Leadership Series: Beyond Compliance to Growth – Board's Strategy in Cultivating Real Growth within a Conducive Governance Environment – (FIDE Forum)	28 October 2015
	• 2nd Annual Malaysia's War on Corruption Symposium 2015 – (MeLearn Global)	11 – 12 December 2015
Datuk Azzat Kamaludin	• Axiata Board Strategy Programme - San Francisco - - Digital Disruption - How Digital is Disrupting Banking and Telco Industries and Opportunities for Transforming Business @ Oracle HQ; - The Data Cloud (Bluekai) - Data as a Service and the Transformation it will unleash @Oracle HQ - Freedom Wireless @ Menlo Park - Shopkick @ Redwood City - Visits to Google and Facebook @Silicon Valley	2 – 3 June 2015
	• Bursa Malaysia - Board Chairman Series Part 2 - "Leadership Excellence from the Chair"	3 September 2015
	• Khazanah Megatrends 2015	5 October 2014
	• PWC - Audit Committee Members' Workshop	12 October 2014
	• PTowerXChange - MeetUp 2015	24 November 2015
David William Berry	• Governance, Directors Duties Regulatory Updates Seminar (MICG)	25 February 2015
	• 7th Annual Corporate Governance Summit (MICG)	8 June 2015
	• Corporate Directors Advanced Programme (Cdap 2015) - Mergers & Acquisition (MINDA)	20 – 21 October 2015
	• Board's Strategy In Cultivating Real Growth Within A Conducive Governance Environment With Sheila C. Bair (FIDE FORUM)	28 October 2015
	• Future Of Auditor Reporting - The Game Changer For Boardroom (MIRA)	2 November 2015
	• 6th Distinguished Board Leadership Series "Digital Transformation And Its Impact On Financial Services – Role Of The Board In Maximising Potential" By Mr Joydeep Sengupta (FIDE FORUM)	4 November 2015
	• The 20th Malaysian Capital Market Summit (ASLI)	5 November 2015
	• Sidc Annual Conference (SIDC)	12 November 2015
	• National Seminar On Trans-Pacific Partnership Agreement (TPPA) (FPLC)	1 December2015

DIRECTOR	LIST OF TRAINING PROGRAMMES/SEMINARS/ CONFERENCES ATTENDED	DATE
Abd Malik A Rahman	• Affin Hwang Capital Conference Series 2015 – Navigating Through Turbulent Times (Affin Hwang Capital)	10 February 2015
	• Industry Consultation Session: 2015 Non-Executive Directors' Remuneration Study (FIDE Forum)	6 May 2015
	• Impact of new Accounting Standard IFRS 9 on Banks (FIDE Forum/IASB)	5 June 2015
	• 7th Annual Corporate Governance Summit (Asian World Summit)	8 – 9 June 2015
	• Capital Market Director's Training Program (CMDP) 2015 (SC/SIDC)	15 – 17 June 2015 & 2 – 3 July 2015
	• CG Breakfast Series: The Board's Response in Light of Rising Shareholder Engagements (Bursa Malaysia/ CLSA/ICLIF)	4 August 2015
	• AMLATFPUAA 2001: Complexity & its impact on Investment Banking (Affin Hwang Capital/Sheila Hussain Vijay & Partners)	24 August 2015
	• Board Chairman Series Part 2: Leadership Excellence from The Chair (Bursa Malaysia/ICLIF)	3 September 2015
	• Corporate Governance: How to Maximise Internal Audit (Bursa Malaysia/IIAM)	9 September 2015
	• The Interplay between CG, NFI and Investment Decision (Bursa Malaysia/SIDC)	22 September 2015
	• Talk on: Economy & Financial Market post global financial crisis; Economic outlook, issues & prospects; & Addressing concerns on TPPA (Affin Holdings/MUST/ MIER/ISIS)	11 November 2015
	• Talk on: Budget 2016 & GST updates, Cybercrime in Financial Services Sector, Anti Money Laundering Act, South East Asian Banking (Affin Holdings/PwC)	3 December 2015
	• Launch of Directors' Remuneration Report 2015 (Bank Negara Malaysia/FIDE Forum)	7 December 2015
Dato' Ishak Osman	• Corporate Governance Breakfast Series – How to maximise Internal Audit (Bursa Malaysia)	9 September 2015
	• CG Statement Reporting Workshop for Directors (Bursa Malaysia)	22 September 2015

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 the external auditors. The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee.

The detailed roles, functions and responsibilities of the Audit Committee are set out on pages 64 to 67 of this Annual Report.

Nominating Committee

The Board has established a Nominating Committee consisting of the following Non-Executive Directors:

- Datuk Azzat Kamaludin – Chairman
- Abd Malik A Rahman
- Dato' Ishak Osman

The functions of the Nominating Committee are as follows:

(i) To recommend candidates for all directorships;

(ii) To recommend appointments to the Board committees;

(iii) To review the required mix of skills and experience and other qualities, including core competencies that the Non-Executive Directors should bring to the Board; and

(iv) To implement a process, to be carried out annually for assessing the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director.

Meetings of the Nominating Committee are held as and when necessary, and at least once a year. The Nominating Committee met once during the year. During its recent annual review carried out, the Nominating Committee is satisfied and the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board.

Remuneration Committee

The Board has established a Remuneration Committee consisting of the following Directors:

- Tan Sri Dato' Seri Lodin Wok Kamaruddin – Chairman
- Dato' Ishak Osman
- Abd Malik A Rahman

The terms of reference for the Committee are as follows:

(i) To recommend to the Board the level of remuneration sufficient to attract and retain directors;

(ii) To recommend to the Board, the remuneration of Executive Directors in all its forms, drawing from outside advice as necessary;

(iii) To recommend to the Board, the level of remuneration of Non-Executive Directors to reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned; and

(iv) To review the level of remuneration of senior executive management team.

Components of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director. A formal review of the Directors' remuneration is undertaken no less frequently than once every three years.

A summary of the remuneration of the Directors for the financial year ended 31 December 2015, distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive band is as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Fees	228,000	322,000	550,000
Salary	1,238,000	-	1,238,000
Allowance	25,000	49,000	74,000
Employee Provident Fund Contribution	92,000	-	92,000
Bonus	303,000	-	303,000
Benefit in kind	15,000	-	15,000
Total	1,901,000	371,000	2,272,000

Directors' Remuneration

	Executive Directors	Non-Executive Directors	Total
RM50,001 - RM100,000	1	-	1
RM100,001 – RM150,000	-	3	3
RM350,001 – RM400,000	1	-	1
RM1,400,001 – RM1,450,000	1	-	1
Total	3	3	6

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. The Remuneration Committee met once during the year and all members registered full attendance.

INVESTOR AND SHAREHOLDER RELATIONS

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 Securities and the Malaysian Accounting Standards Board. The Annual Report has comprehensive information pertaining to the Group, while various disclosures in quarterly and annual results provide investors with financial information. Currently, information is disseminated through various disclosures and announcements made to Bursa Securities. The latest updates and development of the Group can also be found at the Company's website, www.bhic.com.my. The shareholders are able to direct queries to the Company through the Company's website.

The Annual General Meeting is the principal forum for dialogue with the shareholders. The Company values feedback from its shareholders and encourages them to actively participate in the discussion and deliberations. The Board will ensure that each item of special business included in the notices of the general meetings is accompanied by a full explanation of the effects of any proposed resolution.

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 Board has taken the necessary steps to ensure that the Group has adopted 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 reviewing and reporting of the financial information of the Group is outlined in the Report of the Audit Committee which appears on pages 64 to 67 of this Annual Report.

Relationship with the External Auditors

The Board maintains a transparent and professional relationship with the Auditors, through the Audit Committee and the Board. The Audit Committee is conferred with the authority to directly liaise with both the External and Internal Auditors. The Board, through the Audit Committee, seeks the External Auditors' professional advice in ensuring compliance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

It is a policy of the Audit Committee that it meets with the External Auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements as well as any other issues without any Executive Directors or Management present. During the year under review, the Audit Committee held four (4) meetings out of which two (2) meetings were held with the presence of representatives of the External Auditors, Messrs. Ernst & Young, at which private sessions independent of the management, were held.

The roles of the Audit Committee in relation to the external auditors are further described in the Audit Committee Report in this Annual Report.

Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer

The Board acknowledges that they are responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets as required by the Code. The Group adheres to Bursa Malaysia Securities Berhad Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer, as guidance for compliance with these requirements.

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

RECOGNISE AND MANAGE RISKS

Sound framework to manage material business risks

The Company has established policies and a framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy. As required by the Board, the management has devised and implemented appropriate risk management processes and reports to the Board and senior management. Management is charged with monitoring the effectiveness of the risk management system and is required to report to the Board via the Group Core Management Committee. The Board has received, and will continue to receive periodic reports through the Group Core Management Committee, summarising the results of risk management issues and initiatives as the Group.

Internal audit function

The internal audit function of the Group is carried out by the Group Internal Audit of Boustead Holdings Berhad where the Head of Internal Audit reports directly to the Audit Committee. Further details of the activities of the internal audit function are set out in the Statement on Internal Control of this Annual Report.

COMPLIANCE WITH THE CODE

The Board strives to ensure that the Company complies with the Principles and Best Practices of the Code. The Board will endeavour to improve and enhance the procedures from time to time.

DIRECTORS' RESPONSIBILITY STATEMENT

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

In preparing these financial statements, the Directors have:

- adopted suitable accounting policies and applying them consistently;
- made judgements 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 the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") is pleased to provide the following Statement on Risk Management and Internal Controls, which outlines the nature and scope of internal controls in the BHIC Group and its associates ("Group") during the year under review, in accordance to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

RESPONSIBILITY

The Board is committed to maintain an effective system of internal controls to safeguard shareholders' investment and the Group's assets.

The Board affirms its overall responsibility for the Group's systems of internal controls and for reviewing the adequacy and effectiveness of the Group's internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. The Board does not regularly review internal control of joint ventures, as the Board does not have direct control over their operations. Nevertheless, the Group's interests are served through representation on the boards of the respective companies and the receipt and review of management accounts and enquiries thereon. Such representation also provides the Board with information for timely decision making on the continuity of the Group's investments based on the performance of the joint ventures. The representatives report to the Board in the event that the joint ventures do not appropriately manage significant risks.

The review covers financial, operational and compliance controls of the Group. In view of the inherent limitations in any system of internal controls, the system is designed to manage rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against misstatement or loss.

INTERNAL CONTROLS

Risk Management

The Group's objectives, its internal organisation, and the environment in which it operates are continuously evolving and, as a result, the risks it faces are continuously changing. A sound system of risk management and internal controls therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the Group is exposed.

The Group's Enterprise Risk Management Framework which adopts ISO 31000:2009 Risk Management – Principles and Guidelines was approved by the Board on 9 November 2015. The Framework outlines the guiding principles and key structural elements of risk management practices and activities of BHIC Group which includes:

1. Demonstrating how risk management is embedded in BHIC Group's organisational systems to ensure it is integrated at all levels and work contexts. It describes the key principles, elements and processes to guide all employees in effectively managing risk, making it part of day-to-day decision making and business best practices;

2. Comprehensive, structured, systematic, and proactive processes that identify, assess, manage and report on the significant Group, Division, Business and Functional risks related to the achievement of the BHIC Group's objectives inherent in the business strategy and operations at any point in time;

3. Optimises risk management by balancing the cost of risk with the cost of controls for all aspects of the BHIC Group's potential risk areas to ensure organisational objectives are met; and

4. Improve BHIC Group's governance model through resilient leadership, responsible and ethical decision making, management and accountability, and performance improvement.

As part of risk management best practices, Group Risk Management Department (GRMD) perform an independent risk assessment on new business proposals, major investments or business ventures initiated by the Business Units. GRMD will review the adequacy of the business proposal and key risk areas highlighted by Business Units prior to submission to the BHIC Senior Management and the Board for approval.

GRMD has established a standard method for reporting of risk incidents. Reporting and escalation of risk incidents in a timely manner is essential in identifying operational 'hotspots' and minimising risk impact. The Risk Incident Reporting Procedure outlines minimum requirements to be complied with by Division, Business and Functional Units when managing risk incidents.

The BHIC Group's Enterprise Risk Management software is in the midst of version enhancement. The upgraded version has new modules and additional functionality compared with the previous version. The enhanced version is expected to go live by February 2016 upon successful completion of User Acceptance Testing.

Enhancement of the Risk Assessment Procedure in 2014 enabled a more robust and systematic risk assessment to be conducted by the risk managers and risk owners within the Group. Using a common risk language, this facilitates a more comprehensive risk review and monitoring by the respective Division Heads, Heads of Business Units and escalation of high and extreme risks to Senior Management in the BHIC Group.

Key Risk Indicators (KRIs) have been introduced to facilitate proactive management of emerging risks at the business, functional and division levels. The KRIs complements the risk assessment process, provide an early warning signal to management when there are critical risk areas within the entity that potentially exceed tolerable risk limits set.

Project Risk Management Planning has been enhanced for the betterment of project management practices within the Group. This provides guidance to project managers in identifying, analysing and managing the risk on the project undertaken. Through this plan, risks are identified before the actual project starts. The project team will focus on possible risk scenarios that may occur and formulate action plans. Risk issues are communicated regularly throughout the project to facilitate more effective management and control.

Risk register validation exercises, training and briefing sessions with various business units and departments were conducted on a periodic basis to further inculcate a risk awareness culture and improve the adequacy of the risk assessment and the effectiveness of the actions plan for continuous improvement.

GRMD provides regular reports to the BHIC Group Core Management Meeting and a quarterly reports to the Board Audit Committee. The report highlights key risk areas for deliberation and decision.

Project risk register for KD PAHANG and KD LEKIU refits were established during the risk assessment workshops conducted at BN Shipyard in September 2015. The focus is on establishing risk action plans and assign action plan owner(s) for the identified risks associated with the projects.

In October 2015, GRMD conducted a project risk assessment workshop for the Aircraft Maintenance Inspection Program at BHIC AeroServices Sdn Bhd. The workshop was attended by respective Project Managers, Project Management Teams and relevant departments involved in the project. A project risk register, which incorporates key risks for the Maintenance Inspection Programme was successfully developed as an outcome in this two-day session.

Moving forward, GRMD has several initiatives to further enhance the Business Continuity Management (BCM) for the Group. BCM covers various angle and business discipline which consist of Integrated Emergency Response Management, Crisis Management, Business Continuity Plan and Information Technology Disaster Recovery. In addition to the above, GRMD will continue to perform an oversight role and periodical review on project-related risks. The Group will continue to develop and improve on its risk management practices, which are consistent with good corporate governance, to achieve the above mentioned objectives.

Control Structure

The Board acknowledges its responsibility to maintain a strong control structure and environment for the proper conduct of the Group's business operations.

Whilst the Board maintains control and direction over appropriate strategic, financial, organisational and compliance issues, it has delegated the implementation of the system of internal controls to the executive management, led by the Managing Director. The Managing Director, who is empowered to manage the business of the Group, has primary operational responsibility for the system of internal controls. In addition, the Board has established an Executive Committee (ExCo) to provide assistance in the management of the Group. Comprising of the Chairman, Managing Director, Chairman of the Audit Committee and the Executive Director, the members meet regularly to consider, resolve and manage strategic and business issues that the Group faces.

The Board convenes meetings on a quarterly basis to maintain full and effective supervision. The Managing Director, being the principal channel of communication between the Board and the management, will lead the presentation of Board papers and provide comprehensive explanation on the main issues. In arriving at any decisions based on recommendations by management and the Audit Committee, a thorough deliberation and discussion by the Board is a prerequisite.

The Managing Director has established several management committees to assess and strengthen controls within the Group. The formation of these management committees allows the Managing Director, together with his senior management team to periodically review business units' performance, identify and manage principal risks effectively, review the adequacy and integrity of internal controls and management information systems, and develop and regularly review business strategy and operating procedures and policies.

The senior management team is responsible for:

1. The conduct and performance of business units;
2. Identification and evaluation of significant risks applicable to their respective areas of business together with the design and operation of suitable internal controls;
3. Ensuring that an effective system of internal controls is in place;
4. Reviewing internal audit reports and following up on their findings;
5. Meeting defined reporting deadlines and ensuring compliance with policies, procedures and regulatory requirements;
6. Submission of management reports, on a monthly basis, to the Managing Director;
7. Submission of annual operating plans, on a yearly basis, review of half year financial forecasts to be approved at the operating and Board level; and
8. The award of major procurement contracts via a Tender Board which ensures transparency and integrity.

The monitoring and reviewing arrangements in place ensure timely and relevant two way communication of information, and the Board believes that this promotes a dynamic and effective control structure. Executive Director and senior management also conducted regular 'town-hall' meetings and site visits to communicate with employees at all levels. This is to obtain first-hand knowledge of significant operational issues and management of associated risks as well as the effectiveness of current controls.

The Group has taken a group-wide initiative to update and streamline the Standard Operating Procedures for all companies within the Group. This effort, driven by the Strategic Planning, Transformation and Continuous Improvement Department, is to ensure clear and uniform policies and procedures are adopted throughout the Group.

In 2012, BHIC signed the Corporate Integrity Pledge, an initiative of the Malaysian Anti-Corruption Commission to promote a corruption-free business environment. This was followed by the setting up of an Integrity Department in July 2013. The department seeks to further enhance integrity awareness and the prevention of white-collar crime within the Group.

In addition, all employees are required to abide by a code of ethics which defines the ethical standards and professional conduct expected at work. The Group has Board approved Policy Manual and Limits of Authority to provide a framework of authority and accountability within the organisation.

Learning and development programmes are established to ensure all employees are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.

Organisational Structure

The Board has implemented a divisional structure for the Group. Clearly defined lines of responsibility and authority limits at various management levels provide a documented and auditable trail of accountability. In addition, the Group has various support functions comprising secretarial, administration, legal, human capital management, supply chain management, vendor management, finance, strategic planning, transformation and continuous improvement, health, safety and environment, corporate communications, risk management and information systems which are centralised. This enhances the Group's ability to achieve its strategic and operational objectives and manage its significant risks.

Whistle-Blowing

The Group has in place a whistle blowing policy which provides employees with well-defined and accessible channels within the Group, through which they may, in confidence, raise concerns about possible improprieties. This arrangement facilitates independent investigations for appropriate and speedy resolutions.

MONITORING AND REVIEW OF THE ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROLS SYSTEM

The processes adopted are based on the following framework:

- **Business Unit and Functional Unit:** Each Division, Business Unit and Functional unit are responsible for managing risks associated with the business and its functions. All risks identified will be assessed, analysed, treated and monitored according to the Group's risk appetite.
- **Risk Management department:** Risk Management Department: Provides risk methodologies, framework, tools and consultancy to the businesses and functional areas pertaining to risk control, monitoring and effectiveness, and reports to the Group Core Management Committee and the Board Audit Committee on the risk profile of the Group.
- **Internal Audit:** Conducts an independent quality assurance of internal controls and risk management activities. Reports on internal control reviews by the internal audit function are submitted to the Audit Committee on a quarterly basis. The Chairman of the Audit Committee provides the Board with a report of all meetings of the Audit Committee.

Management representations to the Board are given by the Managing Director and Chief Financial Officer on the effectiveness of the risk management and internal control systems of the Group.

INTERNAL AUDIT FUNCTION

The internal audit function is provided by Group Internal Audit from Boustead Holdings Berhad to support the Audit Committee and the Board in evaluating and improving the risk management, control and governance processes of the Group. The Group, including its associates, has incurred approximately RM479,000 fee (inclusive of the Goods and Services Tax) for internal audit activities in respect of the financial year ended 31 December 2015.

CONCLUSION

The Board is of the view that the current system of internal controls in place throughout the Group is sufficient to safeguard the Group's interests. All internal control weaknesses identified during the period under review have been or are being addressed. There were no major internal control weaknesses that require disclosure in this Annual Report.

The effectiveness of the Group's system of internal controls will continue to be reviewed and updated by the Board through the Audit Committee in line with changes in the operating environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2015, and reported to the Board that nothing has come to their attention that cause them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditor was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the board of directors in respect of any aspect of this report.

This statement is made in accordance with a resolution of the Board of Directors dated 1 March 2016.

ADDITIONAL COMPLIANCE INFORMATION

SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiary companies, Directors and management by any regulatory bodies during the financial year ended 31 December 2015.

NON-AUDIT FEES

	Group RM'000	Company RM'000
Non-audit fees paid to the external auditors for the financial year ended 31 December 2015	15	8

The provision of non-audit services by the external auditors to the Group is both cost effective and efficient due to their knowledge and understanding of the operations of the Group, and did not compromise their independence and objectivity. It is also the Group's policy to use the auditors in cases where their knowledge of the Group means it is neither efficient nor cost effective to employ another firm of accountants.

SHARE BUY-BACKS

The Company did not make any share buy-back during the financial year.

OPTIONS AND WARRANTS

No options and warrants were exercised during the financial year.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year.

VARIATION IN RESULTS

There was no material variation between the audited results for the financial year ended 31 December 2015 and the unaudited results previously released for the financial quarter ended 31 December 2015.

PROFIT GUARANTEE

The Company did not make any arrangement during the financial year which requires profit guarantee.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies, involving Directors and substantial shareholders during the financial year.

RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 2 April 2015, the Company obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 3.1.5 of Practice Note 12 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2015 pursuant to the Shareholders' Mandate are disclosed as follows:

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transaction	Value of Transaction RM'000
Boustead Naval Shipyard Sdn. Bhd.	Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor Datuk Azzat Bin Kamaludin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Provision of shipbuilding, ship repair works and provision of related services by Boustead Penang Shipyard Sdn. Bhd.	118,247
		Provision of ship repair works and related services by BHIC Defence Techservices Sdn. Bhd.	618
		Provision of ship repair works and related services by BHIC Allied Defence Technology Sdn. Bhd.	178
		Sale of equipment and machinery for ship related activities by Dominion Defence and Industries Sdn. Bhd.	634
		Provision of ship repair works and related services by BHIC Bofors Asia Sdn. Bhd.	–
		Provision of ship repair works and related services by BHIC Navaltech Sdn. Bhd.	31,940
		Provision of ship repair works and related services by BHIC Electronics and Technologies Sdn. Bhd.	1,948
		Purchase of materials/ consumables in relation to ship repair works and related services by BHIC Defence Techservices Sdn. Bhd.	(29)
		Purchase of materials/ consumables in relation to ship repair works and related services by BHIC Navaltech Sdn. Bhd.	(453)
		Purchase of materials/ consumables in relation to ship repair works and related services by BHIC Electronics and Technologies Sdn. Bhd.	(21)
		Provision of ship repair works and provision of related services from Contraves Advanced Devices Sdn. Bhd.	738

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transaction	Value of Transaction RM'000
		Provision of subcontracting work on engineering of SETIS combat management system and integration of combat system equipment by Contraves Advanced Devices Sdn. Bhd.	452,961
		Provision of oil and gas and related works to Boustead Penang Shipyard Sdn. Bhd.	(504)
		Rental of premises by Boustead Penang Shipyard Sdn. Bhd.	(768)
		Rental of premises by BHIC Bofors Asia Sdn. Bhd.	(360)
		Rental of premises by BHIC MSM Sdn. Bhd.	(216)
		Provision of training services by BHIC Marine Technology Academy Sdn. Bhd.	23
		Rental of premises by Boustead Penang Shipyard Sdn. Bhd.	(1,280)
		Rental of premises from Contraves Advanced Devices Sdn. Bhd.	1,280
		Rental of premises by BHIC Defence Techservices Sdn. Bhd.	(102)
		Rental of premises by BHIC Electronics and Technologies Sdn. Bhd.	(145)
		Rental of premises by BHIC Marine Technology Academy Sdn. Bhd.	(117)
Boustead Langkawi Shipyard Sdn Bhd	Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	Provision of services for construction of vessels to BYO Marine Sdn. Bhd.	(70)
	Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor	Rental of premises by BYO Marine Sdn. Bhd.	(455)
	Boustead Holdings Berhad		
	Lembaga Tabung Angkatan Tentera		

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

Boustead Heavy Industries Corporation Berhad is an investment holding company incorporated in Malaysia.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Loss for the year	(30,739)	(34,047)

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

DIRECTORS

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

Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)
Datuk Azzat Bin Kamaludin
David William Berry
Dato' Ishak Bin Osman
Abd Malik Bin A Rahman

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

DIRECTORS' INTERESTS

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

	← Number of ordinary shares of RM1.00 each →			
	1.1.2015	**Bought**	**Sold**	**31.12.2015**
The Company				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	2,000,000	–	–	2,000,000
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	2,002,100	–	–	2,002,100
Datuk Azzat Bin Kamaludin	350,000	–	–	350,000
Abd Malik Bin A Rahman	3,000	–	–	3,000
Dato' Ishak Bin Osman	10,000	–	–	10,000

	← Number of ordinary shares of RM1.00 each →			
	1.1.2015	**Bought**	**Sold**	**31.12.2015**
Indirect interest:				
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	11,200	–	–	11,200
Dato' Ishak Bin Osman	20	–	–	20
Abd Malik Bin A Rahman	1,000	–	–	1,000

DIRECTORS' INTERESTS (CONT'D.)

	← Number of ordinary shares of RM0.50 each →			
	1.1.2015	**Bought**	**Sold**	**31.12.2015**
Immediate holding company				
Boustead Holdings Berhad ("BHB")				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	28,192,758	–	–	28,192,758
Datuk Azzat Bin Kamaludin	44,000	–	–	44,000
Indirect interest:				
Abd Malik Bin A Rahman	1,000	–	–	1,000
Related corporations				
Pharmaniaga Berhad				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	12,500,148	–	–	12,500,148
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	121,000	–	–	121,000
Datuk Azzat Bin Kamaludin	226,260	–	–	226,260
Boustead Plantations Berhad				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	31,381,600	–	–	31,381,600
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	1,150,000	–	–	1,150,000
Datuk Azzat Bin Kamaludin	1,508,800	41,200	–	1,550,000
Abd Malik Bin A Rahman	2,000	–	–	2,000
Indirect interest:				
Abd Malik Bin A Rahman	2,000	–	–	2,000

	← Number of ordinary shares of RM1.00 each →			
	1.1.2015	**Bought**	**Sold**	**31.12.2015**
Related corporations				
Boustead Petroleum Sdn. Bhd.				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	5,916,465	–	–	5,916,465
Affin Holdings Berhad				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	1,051,328	–	–	1,051,328
Datuk Azzat Bin Kamaludin	143,000	–	(143,000)	–

The other director in office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any other circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year, other than as disclosed in Note 33 to the financial statements.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) the results of the operations of the Group and of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

Details of the significant events are disclosed in Note 21 and Note 34 to the financial statements.

SUBSEQUENT EVENT

Details of the subsequent event is disclosed in Note 35 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 March 2016.

LAKSAMANA MADYA TAN SRI DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR (B)

ABD MALIK BIN A RAHMAN

STATEMENT BY DIRECTORS AND
STATUTORY DECLARATION

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B) and Abd Malik Bin A Rahman, being two of the directors of Boustead Heavy Industries Corporation Berhad do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 96 to 185 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows of the year then ended.

The information set out in Note 38 on page 186 of the financial statements has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 March 2016.

LAKSAMANA MADYA TAN SRI DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR (B)

ABD MALIK BIN A RAHMAN

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

I, Ahmad Nordin Bin Mohammad, being the officer primarily responsible for the financial management of Boustead Heavy Industries Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 96 to 186 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Ahmad Nordin Bin Mohammad
at Kuala Lumpur in the Federal Territory on 1 March 2016

AHMAD NORDIN BIN MOHAMMAD

Before me,

HAJJAH JAMILAH ISMAIL
(No W626)
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Boustead Heavy Industries Corporation Berhad, which comprise statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information, as set out on pages 96 to 185.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 on page 186 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

AHMAD ZAHIRUDIN BIN ABDUL RAHIM
No. 2607/12/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
1 March 2016

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Continuing operations					
Revenue	4	**265,641**	299,560	**10,674**	9,488
Operating costs	5	**(254,009)**	(267,376)	**(31,596)**	(17,951)
Results from operations		**11,632**	32,184	**(20,922)**	(8,463)
Interest income		**443**	369	**–**	–
Finance costs	8	**(18,202)**	(16,895)	**(13,125)**	(12,360)
Share of results of associates	15	**(19,316)**	7,098	**–**	–
Share of results of joint ventures	16	**21,494**	10,282	**–**	–
(Loss)/profit before tax from continuing operations		**(3,949)**	33,038	**(34,047)**	(20,823)
Income tax expense	9	**(3,589)**	(2,488)	**–**	–
(Loss)/profit from continuing operations, net of tax		**(7,538)**	30,550	**(34,047)**	(20,823)
Discontinued operation					
Loss from discontinued operation, net of tax	21	**(23,201)**	(12,700)	**–**	–
(Loss)/profit for the year		**(30,739)**	17,850	**(34,047)**	(20,823)
Attributable to:					
Shareholders of the Company		**(30,739)**	17,850	**(34,047)**	(20,823)
Non-controlling interests		**–**	–	**–**	–
(Loss)/profit for the year		**(30,739)**	17,850	**(34,047)**	(20,823)
Basic/diluted (loss)/earnings per share attributable to shareholders of the Company (sen):	10				
Total		**(12.37)**	7.18		
Continuing operations		**(3.03)**	12.30		
Discontinued operation		**(9.34)**	(5.12)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year, net of tax	**(30,739)**	17,850	**(34,047)**	(20,823)
Attributable to:				
Shareholders of the Company	**(30,739)**	17,850	**(34,047)**	(20,823)
Non-controlling interests	**–**	–	**–**	–
Total comprehensive (loss)/income for the year, net of tax	**(30,739)**	17,850	**(34,047)**	(20,823)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Group			
Assets			
Non-current assets			
Property, plant and equipment	11	**65,103**	170,885
Investment property	12	**13,989**	–
Intangible asset	13	–	2,097
Investments in associates	15	**164,384**	183,700
Investments in joint ventures	16	**86,552**	70,543
Deferred tax assets	26	**18,891**	18,891
		348,919	446,116
Current assets			
Inventories	17	**3,641**	2,216
Trade and other receivables	18	**207,291**	179,828
Amounts due from customers on contracts	19	**42,987**	45,527
Tax recoverable		**9,391**	9,552
Cash and bank balances	20	**54,075**	63,993
Non-current assets held for sale	21	**72,627**	–
		390,012	301,116
Total assets		**738,931**	747,232

	Note	2015 RM'000	2014 RM'000
Group (cont'd.)			
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	22	**248,458**	248,458
Retained earnings		**21,361**	52,099
Total shareholders' funds		**269,819**	300,557
Non-controlling interests		**1**	36
Total equity		**269,820**	300,593
Non-current liabilities			
Loans and borrowings	24	**8,255**	13,997
Deferred tax liabilities	26	**76**	76
		8,331	14,073
Current liabilities			
Amounts due to customers on contracts	19	**17,430**	19,068
Provisions	23	**598**	480
Loans and borrowings	24	**346,777**	342,170
Trade and other payables	27	**95,059**	69,822
Tax payable		**916**	1,026
		460,780	432,566
Total liabilities		**469,111**	446,639
Total equity and liabilities		**738,931**	747,232

STATEMENTS OF FINANCIAL POSITION

	Note	2015 RM'000	2014 RM'000
Company			
Assets			
Non-current assets			
Property, plant and equipment	11	**10,746**	9,106
Investments in subsidiaries	14	**280,000**	280,000
Investments in associate	15	**–**	–
		290,746	289,106
Current assets			
Trade and other receivables	18	**122,292**	154,856
Cash and bank balances	20	**781**	111
		123,073	154,967
Total assets		**413,819**	444,073
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	22	**248,458**	248,458
Accumulated losses		**(94,707)**	(60,660)
Total equity		**153,751**	187,798
Non-current liability			
Loans and borrowings	24	**–**	5,372
Current liabilities			
Provisions	23	**430**	480
Loans and borrowings	24	**255,560**	247,124
Trade and other payables	27	**4,078**	3,299
		260,068	250,903
Total liabilities		**260,068**	256,275
Total equity and liabilities		**413,819**	444,073

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to equity holders of the Company				
	Share capital RM'000	**Distributable retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Group					
At 1 January 2014	248,458	34,249	282,707	36	282,743
Total comprehensive income for the year	–	17,850	17,850	–	17,850
At 31 December 2014	248,458	52,099	300,557	36	300,593
At 1 January 2015	248,458	52,099	300,557	36	300,593
Total comprehensive loss for the year	–	(30,739)	(30,739)	–	(30,739)
Transaction with owners					
Dividend on ordinary shares to non-controlling interest	–	–	–	(1)	(1)
Additional investment in a subsidiary (Note 14(a) (ii))	–	–	–	(34)	(34)
Premium paid on acquisition of non-controlling interest	–	1	1	–	1
Total transaction with owners	–	1	1	(35)	(34)
At 31 December 2015	248,458	21,361	269,819	1	269,820

STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company		
	Share Capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company			
At 1 January 2014	248,458	(39,837)	208,621
Total comprehensive loss for the year	-	(20,823)	(20,823)
At 31 December 2014	248,458	(60,660)	187,798
Total comprehensive loss for the year	-	(34,047)	(34,047)
At 31 December 2015	248,458	(94,707)	153,751

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities					
Cash receipts from customers		**258,551**	198,836	**–**	–
Cash paid to suppliers and employees		**(235,290)**	(164,143)	**(4,160)**	(3,701)
(Payments)/receipts with related companies		**(3,845)**	(759)	**15,006**	11,072
Net cash generated from operations		**19,416**	33,934	**10,846**	7,371
Interest paid		**(18,053)**	(16,816)	**(12,852)**	(12,170)
Income taxes paid less refunds		**(3,538)**	(4,309)	**–**	–
Net cash (used in)/generated from operating activities		**(2,175)**	12,809	**(2,006)**	(4,799)
Cash flows from investing activities					
Interest received		**334**	313	**10,674**	9,488
Proceeds from disposal of property, plant and equipment		**–**	3,861	**–**	–
Purchase of property, plant and equipment and investment property	(a)	**(3,804)**	(17,381)	**(2,043)**	(1,158)
Additional investment in a subsidiary	14 (a)	**(35)**	–	**–**	–
Dividend received from joint ventures		**5,487**	30,855	**–**	–
Placement of pledged fixed deposits, net		**(212)**	(51)	**–**	–
Purchase of intangible asset	13	**(534)**	(1,707)	**–**	–
Net cash generated from investing activities		**1,236**	15,890	**8,631**	8,330
Cash flows from financing activities					
Repayment of borrowings		**(22,212)**	(30,794)	**(15,955)**	(3,517)
Proceeds from drawdown of term loan/revolving credits/hire purchases		**10,322**	23,566	**10,000**	–
Net cash used in financing activities		**(11,890)**	(7,228)	**(5,955)**	(3,517)

STATEMENTS OF CASH FLOWS

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Net (decrease)/increase in cash and cash equivalents		**(12,829)**	21,471	**670**	14
Effect of foreign exchange rate changes		**2,699**	322	**–**	–
Cash and cash equivalents at beginning of year		**61,529**	39,736	**111**	97
Cash and cash equivalents at end of year		**51,399**	61,529	**781**	111
Cash and cash equivalents at end of year comprise:					
Deposits with licensed banks	20	**33,345**	41,892	**–**	–
Cash and bank balances	20	**20,730**	22,101	**781**	111
Total cash and bank balance		**54,075**	63,993	**781**	111
Less: Deposit with licensed banks pledged and more than 90 days	20	**(2,676)**	(2,464)	**–**	–
		51,399	61,529	**781**	111

The additions of property, plant and equipment were by way of:

		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash	(a)	**3,804**	17,381	**2,043**	1,158
Hire purchases		**288**	88	**–**	–
Deposits paid		**–**	19,717	**–**	7,786
Total additions	11	**4,092**	37,186	**2,043**	8,944

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 17th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur.

Boustead Heavy Industries Corporation Berhad is an investment holding company. The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The immediate holding company is Boustead Holdings Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding corporation is Lembaga Tabung Angkatan Tentera, a Malaysian statutory body established under the Tabung Angkatan Tentera Act, 1973.

Related companies refer to companies within the Lembaga Tabung Angkatan Tentera and Boustead Holdings Berhad group of companies.

Affiliates are companies with common directors and/or shareholders with the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost basis except as disclosed in the accounting policies below.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Group and the Company adopted the following new and amended MFRS and Interpretation Committee Interpretations (IC Interpretations) mandatory for annual financial periods beginning on or after 1 January 2015.

- Amendment to MFRS 2 Share-Based Payments (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2010 – 2012 and 2011 – 2013 Cycles)
- Amendment to MFRS 8 Operating Segments (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- MFRS 13 Fair Value Measurement (Annual Improvements to MFRSs 2011 - 2013 Cycle)
- Amendment to MFRS 116 Property Plant and Equipment (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 119 Employee Benefit – Defined Benefit Plans: Employee Contribution
- Amendment to MFRS 124 Related Party Disclosures (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 138 Intangible Assets (Annual Improvements to MFRSs 2010 – 2012 Cycle)
- Amendment to MFRS 140 Investment Property (Annual Improvements to MFRSs 2011 - 2013 Cycle)

Adoption of the above new or amended standards did not have any effect on the financial performance or the position of the Group and of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Effective for annual period beginning on or after 1 January 2016

- Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)
- Amendments to MFRS 7 Financial Instruments Disclosures (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 119 Employee Benefits (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements to MFRSs 2012 – 2014 Cycle)
- Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures (2011) – Investment Entities Applying the Consolidation Exception
- Amendments to MFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14 Regulatory Deferral Accounts
- MFRS 101 Presentation of Financial Statements – Disclosure Initiative (Amendments to MFRS 101)
- Amendments to MFRS 116 Property Plant and Equipment and MFRS 138 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 127 Separate Financial Statements (2011) – Equity Method in Separate Financial Statements

Effective for annual period beginning on or after 1 January 2018

- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective (cont'd.)

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application, except as discussed below:

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 may have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9: Financial Instruments

In November 2014, MASB issued the final version of MFRS 9: Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139: Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee.

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting differences are recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity is reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, direct or indirectly, to the owners of the Company, and is presented separately in consolidated statements of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Total comprehensive income within a subsidiary is attributable to the non-controlling interest even if it results in a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.7 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in an associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost, and the carrying amount is adjusted to recognise changes in the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Investments in associates and joint ventures (cont'd.)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures are prepared for the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139: Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136: Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.8 Fair value measurement

The fair value disclosures for financial instruments at amortised cost and non-financial assets are disclosed in Note 28 (d), Note 11 (d) and Note 12.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Fair value measurement (CONT'D.)

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.9 Currency conversion

The Group's consolidated financial statements are presented in RM, which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those prevailing at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the end of the reporting period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Currency conversion

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

2.10 Property, plant and equipment

All property, plant and equipment are initially recorded at cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statements during the financial period in which they are incurred.

The assets are depreciated on a straight-line basis to write off the cost of the assets to their residual values, over the term of their estimated useful lives as follows:

Long term leasehold lands and reclaimed land	74 to 99 years
Buildings, jetties, slipways and roads	3% - 10%
Yard development	3% - 20%
Plant and machinery	5% - 20%
Equipment, fittings, renovation and others	7% - 50%
Barges and motor vehicles	5% - 25%
Vessels	4%

Capital work-in-progress consists of assets under construction/installation for intended use as production facilities. The amount is stated at cost and not depreciated until the asset is fully completed and brought into use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Investment property

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. All other repair and maintenance costs are recognised in profit or loss as incurred.

The investment property is depreciated on a straight-line basis over the term of the estimated useful life of 30 years and assessed for impairment whenever there is an indication that the investment property may be impaired.

The hangar is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the investment property is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the value at the date of change in use. For a transfer from owner – occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

2.12 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units ("CGU").

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss for a non-financial asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversals are recognised in profit or loss.

2.14 Financial assets

Financial assets are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and designate all the financial assets as loans and receivables. The Group and the Company do not have any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial assets (cont'd.)

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Group's and the Company's loans and receivables comprise receivables, cash and bank balances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All normal purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset. Normal purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

2.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has occurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Impairment of financial assets (cont'd.)

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When a financial asset become uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.16 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value, cost being principally determined on a weighted average method and includes all incidental costs incurred in acquiring the inventories and bringing them to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provision of the financial instrument. The Group and the Company determine the classification of financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.22 Employee benefits

Short term benefits such as wages, salaries, bonuses and social security contributions are recognised as expenses in the period in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

As required by law, the Group and the Company make contributions to the Employees Provident Fund in Malaysia. Such contributions are recognised as an expense in the period in which the related service is performed. The Group pays termination benefits in cases of termination of employment. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

2.23 Leases

(a) Lessee

Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all risks and rewards of ownership. Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Leases (cont'd.)

(A) Lessee (cont'd.)

Operating lease

Leases of assets under which substantial risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) Lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as chartering and rental income. The accounting policy for chartering and rental income is set out in Note 2.24 (f) and Note 2.24 (g), respectively.

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following specific revenue recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods and services is recognised upon transfer of significant risks and rewards of ownership to the buyer and when the goods and services are delivered.

(b) Rendering of services

Revenue from rendering of services is recognised as and when the services are rendered.

(c) Construction contracts

Contract revenues and profits on heavy engineering contracts are accounted for under the accounting policy disclosed in Note 2.16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.24 Revenue (cont'd.)

(d) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(e) Dividend income

Dividend income is recognised in the profit or loss as and when declared or the right to receive payment is established.

(f) Chartering income

Chartering income represents the time, spot and bareboat charter equivalent of income from various ship chartering activities. The revenue is recognised on a time proportion basis.

(g) Rental income

Rental income is accounted for on a straight line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight line basis.

2.25 Income taxes

Income tax recognised in profit or loss for the year comprises current and deferred tax.

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

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences,

- where deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Income taxes (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their activities, products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The respective segment managers report directly to the Group's Managing Director who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Dividends on ordinary shares are recognised in equity in the period that they are declared. The attributable incremental transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax.

2.28 Discontinued operation and non-current assests classified as held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment is not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Further details on discontinued operation and non-current assets classified as held for sale are disclosed in Note 21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.29 Current versus non-current classificartion

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Defered tax assets and liabilities are classified as non-current assets and liabilities.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of property, plant and equipment

The Group and the Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on the internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timings of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) Construction contracts

When the outcome of a long term contract can be determined reliably, the Group recognises construction revenue and costs in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract costs. In making these judgements, the Group evaluates by relying on past experience and the work of internal specialists. Information on the Group's construction contract balances, revenue and cost is presented in Note 19.

(iii) Income taxes

Significant estimation is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determinations are made.

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

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unused tax credits and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The total carrying value of the Group's recognised tax losses, capital allowances and tax credits and unused tax losses, unabsorbed capital allowances and tax credits are as disclosed in Note 26.

(v) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 18.

(vi) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment on all non-financial assets at each reporting date. Non-financial assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes. While the Group believes that the assumptions when determining recoverable amounts are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment changes. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

4. REVENUE

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Heavy engineering contracts	**89,771**	138,185	**–**	–
Rendering of services	**169,312**	154,190	**–**	–
Sale of goods	**3,565**	6,320	**–**	–
Rental income	**2,993**	865	**–**	–
Interest income	**–**	–	**10,674**	9,488
	265,641	299,560	**10,674**	9,488

5. OPERATING COSTS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Continuing operations				
Raw materials and consumables	**15,576**	12,783	**–**	–
Construction contract costs (Note 19)	**117,691**	141,688	**–**	–
Employee benefits expense (Note 6)	**91,476**	87,536	**2,166**	2,696
Non-executive directors' remuneration (Note 7)	**371**	340	**292**	340
Depreciation of property, plant and equipment (Note 11)	**5,579**	5,629	**403**	209
Depreciation of investment property (Note 12)	**573**	–	**–**	–
Impairment loss on intangible asset (Note 13)	**2,631**	–	**–**	–
Gain on disposal of property, plant and equipment	**–**	(2,240)	**–**	–
Allowance for impairment of amount due from subsidiaries	**–**	–	**26,440**	13,176
Other operating costs	**20,112**	21,640	**2,295**	1,530
	254,009	267,376	**31,596**	17,951

5. OPERATING COSTS (CONT'D.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other operating costs include:				
Auditors' remuneration:				
– Statutory audit	**373**	352	**126**	120
– Others	**15**	12	**8**	5
Inventories written off	**788**	189	**–**	–
Net loss/(gain) on foreign exchange:				
– realised	**101**	465	**–**	–
– unrealised	**5,589**	1,322	**–**	(174)
Allowance for impairment of:				
– trade receivables (Note 18 (a))	**31**	–	**–**	–
– other receivables (Note 18 (e))	**3,986**	4,847	**–**	–
Operating leases:				
– minimum lease payments for land and buildings	**2,692**	2,205	**155**	–
– minimum lease payments for plant and equipment	**180**	510	**9**	8
Reversal of provision for warranties (Note 23)	**–**	(277)	**–**	–

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages and salaries	**74,427**	69,726	**1,248**	1,383
Social security contribution	**656**	634	**5**	16
Defined contribution plan	**8,765**	8,158	**98**	105
Others	**7,628**	9,018	**815**	1,192
	91,476	87,536	**2,166**	2,696

Included in employee benefits expense of the Group and of the Company is executive directors' remuneration amounting to RM1,901,000 (2014: RM1,787,000) and RM502,000 (2014: RM507,000), respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Executive directors' remuneration (Note 6):				
Fees	**228**	180	**180**	180
Salary	**1,238**	1,199	**211**	222
Allowances	**25**	17	**19**	17
Bonus	**303**	286	**67**	63
Defined contribution plan	**92**	88	**17**	17
Benefit in kind	**15**	17	**8**	8
	1,901	1,787	**502**	507
Non-executive directors' remuneration (Note 5):				
Fees	**322**	300	**250**	300
Allowances	**49**	40	**42**	40
	371	340	**292**	340
Total directors' remuneration (Note 36 (b))	**2,272**	2,127	**794**	847

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	2015	**2014**
Executive directors:		
RM50,001 - RM100,000	**1**	1
RM350,001 - RRM400,000	**1**	1
RM1,300,001 - RM1,350,000	**–**	1
RM1,400,001 - RM1,450,000	**1**	–
Non-executive directors:		
RM50,001 - RM100,000	**–**	2
RM100,001 - RM150,000	**3**	1

8. FINANCE COSTS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Interest expense on:				
Term loans	**1,043**	1,190	**329**	454
Hire purchase and finance lease liabilities	**13**	7	**–**	–
Revolving credits	**17,132**	16,014	**12,670**	11,785
Others	**14**	-	**126**	121
	18,202	17,211	**13,125**	12,360
Less: Interest capitalised in capital work-in-progress	**–**	(316)	**–**	-
Finance cost recognised in profit or loss	**18,202**	16,895	**13,125**	12,360

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Statement of comprehensive income:				
Malaysian income tax:				
Current income tax	**3,376**	2,591	**–**	–
Under/(over) provision in prior year	**213**	(103)	**–**	–
Income tax recognised in profit or loss	**3,589**	2,488	**–**	–

9. INCOME TAX EXPENSE (CONT'D.)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
(Loss)/profit before taxation from continuing operations	**(3,949)**	33,038	**(34,047)**	(20,823)
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	**(987)**	8,260	**(8,512)**	(5,206)
Effects of changes in statutory tax rate	**–**	(544)	**–**	–
Expenses not deductible for tax purposes	**4,930**	4,221	**8,512**	5,206
Income not subject to tax	**(72)**	(1,227)	**–**	–
Utilisation of previously unrecognised tax losses and capital allowances	**(442)**	(3,843)	**–**	–
Share of results of associates	**4,829**	(1,775)	**–**	–
Share of results of joint ventures	**(5,374)**	(2,571)	**–**	–
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	**492**	70	**–**	–
Under/(over) provision of tax expense in prior years	**213**	(103)	**–**	–
Income tax expense recognised in profit or loss	**3,589**	2,488	**–**	–

Domestic current income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected these changes.

The tax exemption granted to a subsidiary and a certain joint venture in respect of their statutory income derived from maintenance and in-service support activities of vessel has expired in the current financial year.

10. EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing (loss)/profit from continuing operations, net of tax, attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the financial year.

Basic and diluted loss per share from discontinued operations are calculated by dividing loss from discontinued operations, net of tax, attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the financial year.

The following table reflects basic and diluted (loss)/earnings per share from discontinued operations.

	Group	
	2015 RM'000	**2014 RM'000**
(Loss)/profit for the year attributable to shareholders of the Company:		
Continuing operations	**(7,538)**	30,550
Discontinuing operations	**(23,201)**	(12,700)
Total	**(30,739)**	17,850
	'000	**'000**
Weighted average number of ordinary shares in issue	**248,458**	248,458
	sen	**sen**
Basic and diluted (loss)/earnings per share for:		
(Loss)/profit for the year attributable to shareholders of the Company:		
Continuing operations	**(3.03)**	12.30
Discontinued operation	**(9.34)**	(5.12)
Total	**(12.37)**	7.18

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others** RM'000	Capital work-in progress RM'000	Total RM'000
Group					
Cost					
1 January 2014	74,483	19,055	169,203	714	263,455
Additions	19,717	199	1,041	16,229	37,186
Written off	–	–	(316)	–	(316)
Disposals	(1,819)	–	(101)	–	(1,920)
Reclassification	14,282	–	–	(14,282)	–
At 31 December 2014	106,663	19,254	169,827	2,661	298,405
Additions	95	1,190	1,576	1,231	4,092
Disposals	–	–	(53)	–	(53)
Transfer to investment property (Note 12)	(14,562)	–	–	–	(14,562)
Transfer to asset held for sale (Note 21)	–	–	(140,850)	–	(140,850)
Reclassification	505	–	70	(575)	–
At 31 December 2015	92,701	20,444	30,570	3,317	147,032

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others** RM'000	Capital work-in progress RM'000	Total RM'000
Group					
Accumulated depreciation and impairment					
1 January 2014	42,856	8,137	66,907	–	117,900
Depreciation charge for the year:	2,131	1,396	6,708	–	10,235
– Recognised in profit or loss:					
Continuing operations (Note 5)	2,128	953	2,548	–	5,629
Discontinued operation (Note 21)	–	106	4,116	–	4,222
– Capitalised in construction costs (Note 19)	3	337	44	–	384
Written off	–	–	(316)	–	(316)
Disposals	(198)	–	(101)	–	(299)
At 31 December 2014	44,789	9,533	73,198	–	127,520
Impairment charge for the year:					
– Discontinued operation (Note 21)	–	–	12,647	–	12,647
Depreciation charge for the year:	2,192	1,300	6,546	–	10,038
– Recognised in profit or loss:					
Continuing operations (Note 5)	2,189	1,004	2,386	–	5,579
Discontinued operation (Note 21)	–	106	4,096	–	4,202
– Capitalised in construction costs (Note 19)	3	190	64	–	257
Disposals	–	–	(53)	–	(53)
Transfer to asset held for sale (Note 21)	–	–	(68,223)	–	(68,223)
At 31 December 2015	46,981	10,833	24,115	–	81,929

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others** RM'000	Capital work-in progress RM'000	Total RM'000
Group (cont'd.)					
Representing:					
Accumulated depreciation	31,464	10,833	24,115	–	66,412
Accumulated impairment	15,517	–	–	–	15,517
At 31 December 2015	46,981	10,833	24,115	–	81,929
Net carrying amount					
At 31 December 2015	45,720	9,611	6,455	3,317	65,103
At 31 December 2014	61,874	9,721	96,629	2,661	170,885

* Land and buildings of the Group comprise:

	Long term leasehold and reclaimed lands RM'000	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
Group				
Cost				
At 1 January 2014	16,359	22,966	35,158	74,483
Additions	19,717	–	–	19,717
Disposals	(1,819)	–	–	(1,819)
Reclassification	–	–	14,282	14,282
At 31 December 2014	34,257	22,966	49,440	106,663
Additions	–	–	95	95
Transfer to investment property (Note 12)	–	–	(14,562)	(14,562)
Reclassification	505	–	–	505
At 31 December 2015	34,762	22,966	34,973	92,701

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

* Land and buildings of the Group comprise: (cont'd.)

	Long term leasehold and reclaimed lands RM'000	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
Group (cont'd.)				
Accumulated depreciation and impairment				
1 January 2014	4,493	12,575	25,788	42,856
Depreciation charge for the year:	182	808	1,141	2,131
– Recognised in profit or loss	179	808	1,141	2,128
– Capitalised in construction costs	3	–	–	3
Disposals	(198)	–	–	(198)
At 31 December 2014	4,477	13,383	26,929	44,789
Depreciation charge for the year:	617	632	943	2,192
– Recognised in profit or loss	614	632	943	2,189
– Capitalised in construction costs	3	–	–	3
At 31 December 2015	5,094	14,015	27,872	46,981
Representing:				
Accumulated depreciation	4,125	7,065	20,274	31,464
Accumulated impairment	969	6,950	7,598	15,517
At 31 December 2015	5,094	14,015	27,872	46,981
Net carrying amount				
At 31 December 2015	29,668	8,951	7,101	45,720
At 31 December 2014	29,780	9,583	22,511	61,874

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

** Equipment, fittings, renovation, motor vehicles and others of the Group comprise:

	Equipment, fittings, renovation, motor vehicles RM'000	Vessels RM'000	Total RM'000
Group			
Cost			
At 31 December 2014	28,353	140,850	169,203
Additions	1,041	–	1,041
Written off	(316)	–	(316)
Disposals	(101)	–	(101)
At 31 December 2014	28,977	140,850	169,827
Additions	1,576	–	1,576
Disposals	(53)	–	(53)
Reclassification	70	–	70
Transfer to non-current asset held for sale (Note 21)	–	(140,850)	(140,850)
At 31 December 2015	30,570	–	30,570

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

** Equipment, fittings, renovation, motor vehicles and others of the Group comprise: (cont'd.)

	Equipment, fittings, renovation, motor vehicles RM'000	Vessels RM'000	Total RM'000
Group			
Accumulated depreciation and impairment			
At 1 January 2014	19,538	47,369	66,907
Depreciation charge for the year:	2,596	4,112	6,708
– Recognised in profit or loss:			
Continuing operations (Note 5)	2,548	–	2,548
Discontinued operation (Note 21)	4	4,112	4,116
– Capitalised in construction costs	44	–	44
Written off	(316)	–	(316)
Disposals	(101)	–	(101)
At 31 December 2014	21,717	51,481	73,198
Impairment charge for the year:			
– Discontinued operation (Note 21)	–	12,647	12,647
Depreciation charge for the year:	2,451	4,095	6,546
– Recognised in profit or loss:			
Continuing operations (Note 5)	2,386	–	2,386
Discontinued operation (Note 21)	1	4,095	4,096
– Capitalised in construction costs	64	–	64
Disposals	(53)	–	(53)
Transfer to non-current asset held for sale (Note 21)	–	(68,223)	(68,223)
At 31 December 2015	24,115	–	24,115

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

** Equipment, fittings, renovation, motor vehicles and others of the Group comprise: (cont'd.)

	Equipment, fittings, renovation, motor vehicles RM'000	Vessels RM'000	Total RM'000
Group (cont'd.)			
Representing:			
Accumulated depreciation	24,115	–	24,115
Accumulated impairment	–	–	–
At 31 December 2015	24,115	–	24,115
Net carrying amount			
At 31 December 2015	6,455	–	6,455
At 31 December 2014	7,260	89,369	96,629

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Long term leasehold land RM'000	Equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company				
Cost				
1 January 2014	–	499	-	499
Additions	7,786	180	978	8,944
At 31 December 2014	7,786	679	978	9,443
Additions	–	598	1,445	2,043
At 31 December 2015	7,786	1,277	2,423	11,486
Accumulated depreciation				
1 January 2014	–	128	–	128
Depreciation charge for the year (Note 5)	–	209	–	209
At 31 December 2014	–	337	–	337
Depreciation charge for the year (Note 5)	159	244	–	403
At 31 December 2015	159	581	–	740
Net carrying amount				
At 31 December 2015	7,627	696	2,423	10,746
At 31 December 2014	7,786	342	978	9,106

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) The net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Motor vehicles	**356**	226

Details of the terms and conditions of the hire purchase and finance lease arrangements facility are disclosed in Note 25.

(b) Equipment with carrying value of RM5,800,000 (2014: RM6,500,000) are secured against the term loan as disclosed in Note 24 (a).

(c) Included in land are deposits paid for the purchase of two pieces of land at Kota Kinabalu, Sabah and at Bentong, Pahang as the conditions precedent have been met. The transfer of the land title is still in progress.

(d) The impairment loss of RM12.6 million represents the write down of all chemical tankers to the recoverable amount as a result of current market conditions. The recoverable amount is determined based on fair value less cost to sell.

Fair value was determined based on market prices, significantly adjusted for condition of the asset.

The significant unobservable inputs (Level 3) is the condition of asset. Well/(not well) maintained vessels would result in a significantly higher/(lower) fair value.

12. INVESTMENT PROPERTY

Group	**Hangar RM'000**
Cost	
At 1 January 2014/31 December 2014	**–**
Transfer from property, plant and equipment (Note 11)	**14,562**
At 31 December 2015	**14,562**
Accumulated depreciation	
At 1 January 2014/31 December 2014	**–**
Depreciation charge for the year (Note 5)	**573**
At 31 December 2015	**573**
Net carrying amount	
At 31 December 2015	**13,989**
At 31 December 2014	**–**

12. INVESTMENT PROPERTY (CONT'D.)

As at 31 December 2015 the fair value of the investment property was based on independent valuations using the open market value approach. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued.

Details of the fair value of investment property are as follows:

	Valuation method	Date of valuation	Fair value measurement using significant unobservable inputs (Level 3) RM
As at 31 December 2015			
Hangar	Comparison method	31 December 2015	14,700,000

The property is valued by reference to transactions of similar properties in the surrounding area taking into consideration adjustments for differences in location, terrain, size and shape of the land, tenure, title restrictions, if any and other relevant characteristics.

The significant unobservable input is the price per square meter. Significant increase/(decrease) in estimated price per square meter would result in higher/(lower) value.

The Company's investment property is secured against the term loan as disclosed in Note 24.

13. INTANGIBLE ASSET

	Group RM'000
Ship design right, at cost	
At 1 January 2014	390
Additions	1,707
At 31 December 2014	2,097
Additions	534
Less: Impairment loss (Note 5)	(2,631)
At 31 December 2015	–

Intangible asset relates to the purchase of design rights.

During the financial year, the directors carried out a review of the recoverable amount of the intangible asset based on the value in use calculation. Taking into consideration the key assumptions such as decrease in demand for such vessels and the current global economic conditions, an impairment loss of RM2.6 million was recognised in profit or loss.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 RM'000	**2014 RM'000**
Unquoted shares, at cost	**581,867**	581,867
Less: Accumulated impairment losses	**(301,867)**	(301,867)
	280,000	280,000

The cost of shares in a subsidiary of RM2,636,000 (2014: RM2,636,000) is pledged to the financial institutions for banking facilities granted to a former corporate shareholder.

Details of the subsidiaries, all of which are incorporated in Malaysia are as follows:

			Percentage of ownership interest held by the group	
Name of subsidiaries	**Principal activities**	**Paid-up capital**	**2015 %**	**2014 %**
BHIC Asset Holdings Sdn. Bhd. ("BHIC Asset")	Ceased operations	RM10,000,000	**100**	100
Boustead Penang Shipyard Sdn. Bhd. ("BP Shipyard")	Heavy engineering, ship repair and shipbuilding, fabrication of steel structures and platforms, marine engineering, oil and gas fabrication, hook up and commissioning	RM350,000,000	**100**	100
BHIC Development Sdn. Bhd.	Ceased operations	RM2	**100**	100
BHIC Trading Sdn. Bhd.	Property investment	RM8,000,002	**100**	100
BHIC Marine Carriers Sdn. Bhd.	Provision of engineering services for oil and gas industry and chartering ships and vessels	RM3,000,000	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries, all of which are incorporated in Malaysia are as follows: (cont'd.)

Name of subsidiaries	Principal activities	Paid-up capital	Percentage of ownership interest held by the group 2015 %	2014 %
Held by BHIC Asset:				
Desa BHIC Sdn. Bhd.	Ceased operations	RM2	**100**	100
Held by BP Shipyard:				
Dominion Defence & Industries Sdn. Bhd. ("Dominion Defence")	Supply and services of marine and naval defence related products	RM1,000,000	**100**	100
Perstim Industries Sdn. Bhd.	Investment holding	RM51,155,724	**99.99**	99.93
BHIC Defence Technologies Sdn. Bhd. ("BHIC Defence")	Investment holding	RM36,579,282	**100**	100
Malaysian Heavy Industry Group Sdn. Bhd.	Investment holding	RM25,000	**60**	60
BHIC Navaltech Sdn. Bhd.	In-service support for the maintenance, services and supply of spare parts for vessels	RM1,000,000	**100**	100
UMC Engineering Sdn. Bhd. * ("UMC Engineering")	Dormant	RM996,234	**99.99**	99.99
Boustead Tugs & Transport Sdn. Bhd. *	Dormant	RM1,000,000	**100**	100
BHIC Marine & Shipping Sdn. Bhd ("BHIC Shipping") *	Dormant	RM3,000,003	**100**	100
BHIC Shipbuilding & Engineering Sdn. Bhd.	Dormant	RM2	**100**	100
BHIC Marine Technology Academy Sdn. Bhd.	Provision of marine and defence business management training and similar educational projects	RM500,000	**100**	100
BHIC Marine Ventures Sdn. Bhd.	Provision of chartering of ships and vessels	RM3	**100**	100
BHIC Marine Transport Sdn. Bhd.	Provision of chartering of ships and vessels	RM3	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries, all of which are incorporated in Malaysia are as follows: (cont'd.)

			Percentage of ownership interest held by the group	
Name of subsidiaries	**Principal activities**	**Paid-up capital**	**2015 %**	**2014 %**
Held by Dominion Defence:				
Burlington Promotions & Publications Sdn. Bhd.	Dormant	RM121,000	**100**	100
Held by BHIC Defence:				
BHIC Defence Techservices Sdn. Bhd. ("BHIC Defence Techservices")	Provision of maintenance and services for arsenal, missiles, and other defence related products	RM1,000,000	**100**	100
BHIC Allied Defence Technology Sdn. Bhd.	Supply of electronics and system technology to defence related industry	RM510,000	**100**	100
Naval and Defence Communication System Sdn. Bhd.	Provision of maintenance and services for telecommunication systems	RM100,000	**100**	100
BHIC Electronics and Technologies Sdn. Bhd.	Provision of maintenance and services for defence weapons and related products	RM2,329,897	**100**	100
BHIC Submarine Engineering Services Sdn. Bhd. (formerly known as Integrated Navigation and Defence Systems Sdn. Bhd.)	Provision of maintenance and services of submarines	RM500,000	**100**	100

* In members' voluntary liquidation

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(a) Additional investments in subsidiary

(i) During the financial year, the Company through its wholly-owned subsidiary, BHIC Defence subscribed for additional paid-up share capital in the following company by way of cash:

	Number of shares	Amount
	2015 **'000**	**2015** **RM'000**
BHIC Submarine Engineering Services Sdn. Bhd. (formerly known as Integrated Navigation and Defence Systems Sdn. Bhd.)	**500**	500

The additional equity interest arose pursuant to an issue of shares by the subsidiary companies on a pro-rata basis to their shareholders.

(ii) During the financial year, the Company through its wholly-owned subsidiary, BP Shipyard acquired additional equity interest in Perstim Industries Sdn. Bhd. by way of cash and the details are as follows:

	2015
Number of shares ('000)	**34**
Amount (RM'000)	**35**

15. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Unquoted shares, at cost	**54,840**	54,840	**1,250**	1,250
Cumulative share of post acquisition profits	**109,544**	128,860	**–**	–
	164,384	183,700	**1,250**	1,250
Less: Accumulated impairment losses	**–**	–	**(1,250)**	(1,250)
	164,384	183,700	**–**	–

Details of the associates, all of which are equity accounted for and incorporated in Malaysia except as disclosed, are as follows:

		Percentage of ownership interest held by the group	
Name of associates	**Principal activities**	**2015 %**	**2014 %**
Held by the Company:			
Tohwa-Sedap Food Industry Sdn. Bhd.	Under liquidation	**50.00**	50.00
Held by Perstim Industries Sdn. Bhd.:			
Boustead Naval Shipyard Sdn. Bhd. ("BN Shipyard")	Construction, repair and maintenance of naval ships, weapons and electronics, design and engineering, fabrication of steel structures and commercial shipbuilding	**20.77**	20.76
Held through by BP Shipyard:			
Penang Shipbuilding and Construction Holding (Thailand) Limited (Incorporated in Thailand)	Dormant	**48.80**	48.80
Held through by BN Shipyard:			
Boustead Langkawi Shipyard Sdn. Bhd.	Construction, repair and maintenance of boats and yachts	**20.77**	20.76
BN Shiprepair Sdn. Bhd.	Ceased operations	**20.77**	20.76
Boustead Yachts Sdn. Bhd.	Ceased operations	**20.77**	20.76

The financial year-end of the above associates are coterminous with that of the Group.

15. INVESTMENTS IN ASSOCIATES (CONT'D.)

The summarised financial information of the associates are as follows:

	2015 RM'000	2014 RM'000
Assets and liabilities		
Current assets	**1,800,115**	1,599,695
Non-current assets	**432,135**	366,083
Total assets	**2,232,250**	1,965,778
Current liabilities	**1,844,834**	1,382,312
Non-current liabilities	**379,425**	482,425
Total liabilities	**2,224,259**	1,864,737
Net assets	**7,991**	101,041
Results		
Revenue	**969,536**	1,314,751
(Loss)/profit for the year	**(93,000)**	34,191

Reconciliation of the summarised information presented above to the carrying amount of the Group's investment in associates:

	2015 RM'000	2014 RM'000
Net assets at 1 January	**101,041**	66,850
Additional interest in associate	**(50)**	–
(Loss)/profit for the year	**(93,000)**	34,191
Net assets at 31 December	**7,991**	101,041
Interest in associate	**20.77%**	20.76%
Goodwill	**162,724**	162,724
Carrying value of Group's investment in associates	**164,384**	183,700

16. INVESTMENTS IN JOINT VENTURES

	Group	
	2015 RM'000	**2014 RM'000**
Unquoted shares, at cost	**33,941**	33,941
Cumulative share of post acquisition profits	**36,602**	57,175
Share of current year's post acquisition profits	**21,494**	10,282
Less: Dividend paid (Note 36 (a))	**(5,485)**	(30,855)
	52,611	36,602
	86,552	70,543

The Group has various percentage of ownership of its joint arrangements as detailed below. Under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore, these entities are classified as joint ventures of the Group.

16. INVESTMENTS IN JOINT VENTURES (CONT'D.)

Details of the joint ventures, all of which are equity accounted for and are incorporated in Malaysia, are as follows:

		Percentage of ownership interest held by the group	
Name of joint ventures	**Principal activities**	**2015 %**	**2014 %**
Held by BHIC Defence:			
BHIC Bofors Asia Sdn. Bhd.	Provision of integrated logistics support services on BOFORS weapons systems	**51**	51
BHIC AeroServices Sdn. Bhd. ("BHICAS")	To carry on business of maintenance, repair and overhaul of rotary and fixed wing aircraft	**51**	51
Boustead DCNS Naval Corporation Sdn. Bhd. ("BDNC")	Vessel maintenance	**60**	60
BYO Marine Sdn. Bhd. *	Construction of vessels	**51**	51
Contraves Advanced Devices Sdn. Bhd. ("CAD") *	Manufacturing of electronic products	**51**	51
BHIC MSM Sdn. Bhd.	Provision of maintenance and repair of MTU products	**60**	60
Pyrotechnical Ordnance Malaysia Sdn. Bhd.	Production and selling of double based propellant for locally used artillery shells and rockets in defence sector	**50**	50
Held by CAD:			
Contraves Sdn. Bhd. *	Property rental	**51**	51
Contraves Electrodynamics Sdn. Bhd. *	Provide and undertake system design, infrastructure and facilities, project management and integration works and services for the defence, commercial and industrial sectors,manufactures, installers, maintainers, repairers of and dealers in electrical and electronic appliances and apparatus	**51**	51

* Audited by firms other than Ernst & Young.

These joint ventures have the same reporting period as the Group and their shares are unquoted.

16. INVESTMENTS IN JOINT VENTURES (CONT'D.)

(b) Summarised financial information

Summarised financial information of material joint ventures is set out below. The summarised information represents the amounts in the financial statements of the joint ventures and not the Group's share of those amounts.

(i) Summarised statements of financial position

	2015			2014		
	BDNC RM'000	**CAD RM'000**	**BHICAS RM'000**	**BDNC RM'000**	**CAD RM'000**	**BHICAS RM'000**
Group						
Non-current assets	**20,722**	**319,616**	**6,975**	10,991	179,690	4,317
Cash and cash equivalent	**341,806**	**388,036**	**15,302**	137,769	157,527	16,690
Other current assets	**76,153**	**110,488**	**33,514**	4,338	306,346	18,479
Total current assets	**417,959**	**498,524**	**48,816**	142,107	463,873	35,169
Total assets	**438,681**	**818,140**	**55,791**	153,098	643,563	39,486
Current financial liabilities (excluding trade and other payables and provisions)	**1,374**	**2,130**	**5,100**	–	2,186	5,287
Trade and other payables and provisions	**396,537**	**714,747**	**28,003**	107,397	12,684	6,208
Other financial liabilities	**–**	**–**	**9,864**	–	572,770	12,067
Total current liabilities	**397,911**	**716,877**	**42,967**	107,397	587,640	23,562
Non-current liabilities	**2,516**	**13,428**	**309**	–	12,706	89
Total liabilities	**400,427**	**730,305**	**43,276**	107,397	600,346	23,651
Net Assets	**38,254**	**87,835**	**12,515**	45,701	43,217	15,835

16. INVESTMENTS IN JOINT VENTURES (CONT'D.)

(b) Summarised financial information (cont'd.)

(ii) Summarised statements of comprehensive income

	2015			2014		
	BDNC RM'000	CAD RM'000	BHICAS RM'000	BDNC RM'000	CAD RM'000	BHICAS RM'000
Group						
Revenue	**355,375**	**609,808**	**103,848**	170,165	266,500	93,488
Depreciation	**(355)**	**(16,222)**	**(957)**	(583)	(7,127)	(253)
Interest income	**1,729**	**3,551**	**9**	2,448	1,153	15
Finance costs	**(2)**	**(644)**	**(542)**	–	(717)	(491)
(Loss)/profit before tax from continuing operations	**(3,765)**	**53,384**	**8,188**	(11,667)	20,358	20,671
Income tax expense	**(3,682)**	**(8,766)**	**(2,253)**	(610)	(1,594)	(4,960)
(Loss)/profit for the year representing total comprehensive (loss)/income for the year, net of tax	**(7,447)**	**44,618**	**5,935**	(12,277)	18,764	15,711
Dividend received from joint ventures during the year	**–**	**–**	**4,720**	–	30,600	–

(c) Reconciliation of the summarised information presented above to the carrying amount of the Group's investment in joint ventures

	2015			2014		
	BDNC RM'000	CAD RM'000	BHICAS RM'000	BDNC RM'000	CAD RM'000	BHICAS RM'000
Group						
Net assets at 1 January	**45,701**	**43,217**	**15,835**	57,978	84,453	124
(Loss) / profit for the year	**(7,447)**	**44,618**	**5,935**	(12,277)	18,764	15,711
Dividend	**–**	**–**	**(9,255)**	–	(60,000)	–
Net assets at 31 December	**38,254**	**87,835**	**12,515**	45,701	43,217	15,835
Interest in joint ventures (%)	**60**	**51**	**51**	60	51	51
Goodwill	**–**	**3,849**	**–**	–	3,849	–
Carrying value of Group's interest in joint ventures	**22,952**	**48,645**	**6,383**	27,421	25,890	8,076

16. INVESTMENTS IN JOINT VENTURES (CONT'D.)

(c) Bonus share issues by BHICAS

On 15 July 2015, the Board of Directors of BHIC AeroServices Sdn Bhd ("BHICAS") has approved the proposal of bonus shares to all its existing shareholders of BHICAS. The directors authorised to allot and issue 1,500,000 new ordinary shares of RMI.00 each by way of bonus issue by capitalising RM1.5 million from its unappropriated profit account and credited to the shareholders whose names appear in the Register of Members of the Company at the close of business on 3 July 2015.

The Group through its wholly owned subsidiary namely BHIC Defence Technologies Sdn Bhd owns 51% interest in this company. The new shares were formally issued on 15 July 2015.

(d) Aggregate information of joint ventures that are not individually material

	Group	
	2015 RM'000	**2014 RM'000**
The Group's share of profit before tax	**612**	1,111
The Group's share of profit after tax, representing total comprehensive income	**180**	78

17. INVENTORIES

	Group	
	2015 RM'000	**2014 RM'000**
Consumables		
At cost	**3,056**	1,421
At net realisable value	**585**	795
	3,641	2,216

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Trade receivables				
Third parties	**15,176**	20,557	**–**	–
Due from related parties:				
Associates	**94,807**	74,419	**–**	–
Joint ventures	**6,938**	19,470	**–**	–
	116,921	114,446	**–**	–
Unbilled receivables				
– Associate	**11,727**	1,197	**–**	–
Less: Allowance for impairment				
– Third parties	**(1,938)**	(1,907)	**–**	–
Trade receivables, net	**126,710**	113,736	**–**	–
Other receivables				
Due from related parties:				
Subsidiaries	**–**	–	**190,400**	196,520
Joint ventures	**27,518**	28,704	**–**	–
Associates	**91**	99	**63**	67
Related company	**46**	–	**–**	–
	27,655	28,803	**190,463**	196,587
Deposits	**9,698**	10,141	**–**	–
Prepayments	**1,266**	996	**–**	–
Sundry receivables	**2,450**	3,024	**–**	–
Advances to suppliers	**48,561**	28,384	**–**	–
	89,630	71,348	**190,463**	196,587

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Less: Allowance for impairment				
– Subsidiaries	**–**	–	**(68,171)**	(41,731)
– Joint ventures	**(8,698)**	(4,847)	**–**	–
– Associates	**(28)**	(28)	**–**	–
– Other receivables	**(323)**	(381)	**–**	–
	(9,049)	(5,256)	**(68,171)**	(41,731)
Other receivables, net	**80,581**	66,092	**122,292**	154,856
Total trade and other receivables	**207,291**	179,828	**122,292**	154,856
Total trade and other receivables	**207,291**	179,828	**122,292**	154,856
Add: Cash and bank balances (Note 20)	**54,075**	63,993	**781**	111
Less: Prepayment	**(1,266)**	(996)	**–**	–
Less: Advances to suppliers	**(48,561)**	(28,384)	**–**	–
Total loans and receivables	**211,539**	214,441	**123,073**	154,967

(a) The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Neither past due nor impaired	**46,074**	69,941
1 to 30 days past due not impaired	**13,159**	16,535
31 to 60 days past due not impaired	**12,531**	7,582
61 to 90 days past due not impaired	**11,345**	230
91 to 120 days past due not impaired	**2,518**	10,029
More than 121 days past due not impaired	**29,356**	8,222
	68,909	42,598
Impaired	**1,938**	1,907
	116,921	114,446

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) The ageing analysis of the Group's trade receivables is as follows: (cont'd.)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM68,909,000 (2014: RM42,598,000) that are past due at the reporting date but not impaired. The total amount that are past due but not impaired are unsecured in nature. Of the total, RM6,938,000 (2014: RM3,960,000) is due from a joint venture and RM51,603,000 (2014: RM36,714,000) is due from an associate which the Group believes are fully recoverable.

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the financial year and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Trade receivables-nominal value	**1,938**	1,907
Less: Allowance for impairment	**(1,938)**	(1,907)
	–	–

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) The ageing analysis of the Group's trade receivables is as follows: (cont'd.)

Movement in allowance accounts:

	Group	
	2015 RM'000	**2014 RM'000**
At 1 January	**1,907**	1,907
Charge for the year (Note 5)	**31**	–
At 31 December	**1,938**	1,907

Trade receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in significant difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's credit period is generally for a period of 30 days (2014: 30 days), extending up to 90 days (2014: 90 days) for major customers. The Group seeks to maintain strict control over its outstanding receivables and strives to minimise credit risk. Overdue balances are reviewed regularly by senior management.

(c) Trade receivables

Trade receivables due from Government of Malaysia and related agencies amounted to RM101,863,000 (2014: RM92,659,00) at the reporting date.

Trade receivables are non-interest bearing.

(d) Amounts due from related parties

The related parties' balances bear weighted average effective interest rate of 5.5% (2014: 5.3%) per annum and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

(e) Other receivables

The Group's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	2015 RM'000	**2014 RM'000**
Other receivables – nominal value	**9,049**	5,256
Less: Allowance for impairment	**(9,049)**	(5,256)
	–	–

18. TRADE AND OTHER RECEIVABLES (CONT'D.)

(e) Other receivables (cont'd.)

Movement in allowance account:

	2015 RM'000	2014 RM'000
At 1 January	**5,256**	409
Charge for the year (Note 5)	**3,986**	4,847
Written off	**(193)**	-
At 31 December 2015	**9,049**	5,256

Other receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in significant difficulties and have defaulted on payments. These non-trade receivables are not secured by any collateral or credit enhancements.

19. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2015 RM'000	2014 RM'000
Aggregate cost incurred and recognised profit (less recognised losses) to date	**959,406**	1,248,228
Less: Progress billings	**(933,849)**	(1,221,769)
	25,557	26,459
Amounts due from customers on contracts	**42,987**	45,527
Amounts due to customers on contracts	**(17,430)**	(19,068)
	25,557	26,459

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2015 RM'000	2014 RM'000
Depreciation of property, plant and equipment (Note 11)	**257**	384
Operating lease:		
– minimum lease payment for plant and equipment	**391**	319
Employee benefits expense	**9,804**	7,301

No interest expenses were capitalised in the construction work-in-progress as the borrowings are drawdown for general purpose.

19. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACTS (CONT'D.)

Amount of contract revenue and contract costs recognised in the financial year are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Contract revenue *	**139,439**	171,183
Construction contract costs (Note 5)	**117,691**	141,688

* The contract revenue is derived from heavy engineering works and rendering of services.

20. CASH AND BANK BALANCES

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Deposits with licensed banks	**33,345**	41,892	**–**	–
Cash on hand and at banks	**20,730**	22,101	**781**	111
Total cash and bank balances	**54,075**	63,993	**781**	111
Less: Deposits with licensed banks pledged and more than 90 days	**(2,676)**	(2,464)	**–**	–
Cash and cash equivalents	**51,399**	61,529	**781**	111

Deposits with licensed banks amounting to RM477,551 (2014: RM463,138) are pledged for performance guarantee facilities granted to the Group.

The amount of deposits placed with the financial institutions which are Government-related entities amount to RM53,692,000 (2014: RM63,889,000).

Other information on financial risks of cash and bank balances are disclosed in Note 28.

21. DISCONTINUED OPERATION AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 23 December 2015, the company announced the decision of its Board of Directors to dispose off all three chemical tankers to Jasa Merin (Labuan) PLC for a price of USD5.7 million (RM24.5 million equivalent) per vessel.

As at 31 December 2015, the chemical tanker of the Group has been reclassified from property, plant and equipment to non-current assets held for sale.

The completion of the sales is subject to the fulfillment of the relevant requirements for completion.

Statement of financial position disclosure

The non-current assets classified as held for sale as at 31 December 2015 are as follows:

	Group RM'000
At 1 January 2014/2015	–
Transfer from property, plant and equipment (Note 11)	72,627
At 31 December 2015	72,627

The chemical tankers with total carrying value of RM48,417,000 (2014: RM59,546,000) are secured against the revolving credit and term loan as disclosed in Note 24 (b).

Statement of comprehensive income disclosures

The results of the chartering segment for the years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Revenue	**10,873**	33,263
Operating Costs	**(34,074)**	(46,051)
Result from operation, representing loss before tax from discontinued operation	**(23,201)**	(12,788)
Taxation	**–**	88
Loss from discontinued operation, net of tax	**(23,201)**	(12,700)

21. DISCONTINUED OPERATION AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D.)

Statement of comprehensive income disclosures (cont'd.)

Included in operating costs:

	Group	
	2015 RM'000	**2014 RM'000**
Chartering business operating costs	**4,603**	37,299
Auditors' remuneration	**52**	45
Net foreign exchange losses	**10,610**	3,467
Impairment loss on property, plant and equipment (Note 11)	**12,647**	–
Depreciation of property, plant and equipment (Note 11)	**4,202**	4,222
Other operating costs	**1,960**	1,018
	34,074	46,051

Statement of cash flows disclosures

The cash flows attributable to the chartering segment for the year ended 31 December 2015 and 2014 are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Operating, representing net cash inflows/(outflows)	**1,312**	(1,426)

22. SHARE CAPITAL

	Group and Company			
	Number of shares of RM1 each		Amount	
	2015 '000	**2014 '000**	**2015 RM'000**	**2014 RM'000**
Authorised:				
As at 1 January/31 December	**500,000**	500,000	**500,000**	500,000
Issued and fully paid ordinary shares:				
As at 1 January/31 December	**248,458**	248,458	**248,458**	248,458

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and ranked equally with regard to the Company's residual assets.

23. PROVISIONS

	Directors' fee RM'000	Warranties RM'000	Total RM'000
Group			
At 1 January 2014	360	277	637
Additional/(reversal) of provision	480	(277)	203
Utilisation of provision	(360)	-	(360)
At 31 December 2014	480	-	480
Additional of provision	598	-	598
Utilisation of provision	(480)	-	(480)
At 31 December 2015	598	-	598

23. PROVISIONS (CONT'D.)

	Directors' fee RM'000
Company	
At 1 January 2014	360
Additional provision	480
Utilisation of provision	(360)
At 31 December 2014	480
Additional provision	430
Utilisation of provision	(480)
At 31 December 2015	430

Provision for warranties

The provision for warranties in prior years was made in respect of potential reworks or replacement of defective products sold to an end customer which arose from a batch of production or services rendered to them. The provision was made based on the management's best estimate on past experience of the expected level of defects and their associated remediation costs to the customer.

24. LOANS AND BORROWINGS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Short term borrowings				
Secured:				
Hire purchase and finance lease liabilities (Note 25)	**97**	90	**–**	–
Term loans	**7,705**	8,677	**6,585**	7,168
Revolving credits	**48,975**	39,956	**48,975**	39,956
	56,777	48,723	**55,560**	47,124
Unsecured:				
Term loans	**–**	3,447	**–**	–
Revolving credits	**290,000**	290,000	**200,000**	200,000
	290,000	293,447	**200,000**	200,000
Total short term borrowings:				
Term loans	**7,705**	12,124	**6,585**	7,168
Hire purchase and finance lease liabilities (Note 25)	**97**	90	**–**	–
Revolving credits	**338,975**	329,956	**248,975**	239,956
	346,777	342,170	**255,560**	247,124
Long term borrowings				
Secured:				
Hire purchase and finance lease liabilities (Note 25)	**209**	60	**–**	–
Term loans	**8,046**	13,937	**–**	5,372
Total long term borrowings	**8,255**	13,997	**–**	5,372

24. LOANS AND BORROWINGS (CONT'D.)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total borrowings:				
Term loans	**15,751**	26,061	**6,585**	12,540
Hire purchase and finance lease liabilities (Note 25)	**306**	150	**–**	–
Revolving credits	**338,975**	329,956	**248,975**	239,956
	355,032	356,167	**255,560**	252,496

The remaining maturities of the term loans as at reporting date are as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
On demand or within 1 year	**7,705**	12,124	**6,585**	7,168
More than 1 year and less than 2 years	**1,120**	6,492	**–**	5,372
More than 2 years and less than 5 years	**6,926**	7,445	**–**	–
	15,751	26,061	**6,585**	12,540

The maturity profile of hire purchase and finance lease liabilities is as disclosed in Note 25.

The term loans and revolving credit facilities granted to the Group and the Company are unsecured except for the following:

(a) A term loan of a subsidiary which is secured against equipment as disclosed in Note 11 (b);

(b) A term loan and a revolving credit facility of the Company which is secured against vessels of certain subsidiaries as disclosed in Note 21; and

(c) A term loan of a subsidiary which is secured against an investment property as disclosed in Note 12.

Other information on financial risks of loans and borrowings are disclosed in Note 28.

The amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM165,032,000 (2014: RM176,167,000).

25. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group	
	2015 RM'000	**2014 RM'000**
Future minimum lease payments:		
Not later than 1 year	**109**	96
Later than 1 year but not later than 2 years	**83**	44
Later than 2 years but not later than 5 years	**142**	18
	334	158
Less: Future finance charges	**(28)**	(8)
	306	150
Analysis of present value of finance lease liabilities:		
Not later than 1 year	**97**	90
Later than 1 year but not later than 2 years	**75**	42
Later than 2 years but not later than 5 years	**134**	18
	306	150
Amount due within 12 months (Note 24)	**(97)**	(90)
Amount due after 12 months (Note 24)	**209**	60

The hire purchase liabilities are secured by a charge over the leased assets (Note 11 (a)). The average discount rate implicit in the leases is 4.89% per annum (2014: 5.21% per annum).

26. DEFERRED TAXATION

	Group	
	2015 RM'000	**2014 RM'000**
At 1 January	**(18,815)**	(18,815)
Recognised in profit or loss (Note 9)	**–**	–
At 31 December	**(18,815)**	(18,815)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(18,891)**	(18,891)
Deferred tax liabilities	**76**	76
	(18,815)	(18,815)

26. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax (assets)/liabilities of the Group during the financial year are as follows:

	Unused tax losses RM'000
Deferred tax assets	
At 1 January 2014	(22,488)
Recognised in profit or loss	1,220
At 31 December 2014	(21,268)
Recognised in profit or loss	513
At 31 December 2015	(20,755)

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2014	3,348	325	3,673
Recognised in profit or loss	(895)	(325)	(1,220)
At 31 December 2014	2,453	–	2,453
Recognised in profit or loss	(673)	160	(513)
At 31 December 2015	1,780	160	1,940

The estimated amount of deferred tax assets which have not been recognised in the Group's and the Company's financial statements as at reporting dates are as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Temporary differences arising from:				
– unused tax losses	**(141,749)**	(143,091)	**(47)**	(47)
– unabsorbed capital allowances	**(131)**	(93)	**–**	–
– others	**(7,776)**	(6,270)	**–**	–
	(149,656)	(149,454)	**(47)**	(47)

The unused tax losses and unabsorbed capital allowances of the Group and of the Company are available for offset against future taxable profits subject to guidelines issued by the tax authority. Deferred tax assets have been recognised in respect of unabsorbed capital allowances and unused tax losses items, to the extent that future taxable profits are probable to be utilised in the foreseeable future.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade payables				
Third parties	**65,980**	46,200	**–**	–
Due to related parties:				
Associates	**838**	3,737	**–**	–
Joint ventures	**4,783**	1,626	**–**	–
	71,601	51,563	**–**	–
Other payables				
Due to related parties:				
Subsidiaries	**–**	–	**2,306**	2,315
Holding company	**702**	759	**103**	189
Joint ventures	**1,685**	2,471	**–**	–
Associates	**2,824**	600	**134**	–
	5,211	3,830	**2,543**	2,504
Accruals	**9,204**	6,611	**710**	774
Sundry payables	**9,043**	7,818	**825**	21
	23,458	18,259	**4,078**	3,299
Total trade and other payables	**95,059**	69,822	**4,078**	3,299
Total trade and other payables	**95,059**	69,822	**4,078**	3,299
Add: Loans and borrowings (Note 24)	**355,032**	356,167	**255,560**	252,496
Total financial liabilities carried at amortised costs	**450,091**	425,989	**259,638**	255,795

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2014: 30 to 90 days).

(b) Non trade balances due to related parties.

The related parties' balances bear weighted average effective interest rate of 5.5% (2014: 5.3%) per annum and are repayable on demand. All other related parties payable are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 36.

Other information on financial risks of trade and other payables are disclosed in Note 28.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, including interest rate, credit, foreign exchange, liquidity and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders while minimising the potential adverse effects on the performance of the Group.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Company's Managing Director, Executive Director and Chief Financial Officer. The audit committee provides independent oversight to the effectiveness of the risk management process.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and loans at floating rates given to related parties.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group finances its operations through operating cash flows and borrowings. The Group's policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities.

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") and the remaining maturities of the Group's and the Company's financial asset/(liabilities) as at reporting date:

	Note	WAEIR %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000	More Than 5 Years RM'000	Total RM'000
Group							
At 31 December 2015							
Fixed rate							
Hire purchase and finance lease liabilities	25	**4.89%**	**(97)**	**(75)**	**(134)**	**–**	**(306)**
Deposits with licensed banks	20	**1.31%**	**33,345**	**–**	**–**	**–**	**33,345**
Floating rate							
Term loans	24	**4.80%**	**(7,705)**	**(1,120)**	**(3,360)**	**(3,566)**	**(15,751)**
Revolving credits	24	**5.07%**	**(338,975)**	**–**	**–**	**–**	**(338,975)**

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

(a) Interest rate risk (cont'd.)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") and the remaining maturities of the Group's and the Company's financial asset/(liabilities) as at reporting date (cont'd.):

	Note	WAEIR %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000	More Than 5 Years RM'000	Total RM'000
Group							
At 31 December 2014							
Fixed rate							
Term loans	24	5.80%	(669)	–	–	–	(669)
Hire purchase and finance lease liabilities	25	5.21%	(90)	(42)	(18)	–	(150)
Deposits with licensed banks	20	1.10%	41,892	–	–	–	41,892
Floating rate							
Term loans	24	3.99%	(11,455)	(6,492)	(4,480)	(2,965)	(25,392)
Revolving credits	24	4.98%	(329,956)	–	–	–	(329,956)
Company							
At 31 December 2015							
Floating rate							
Term loan	24	**3.40%**	**(6,585)**	**–**	**–**	**–**	**(6,585)**
Revolving credits	24	**5.21%**	**(248,975)**	**–**	**–**	**–**	**(248,975)**

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

(a) Interest rate risk (cont'd.)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") and the remaining maturities of the Group's and the Company's financial asset/(liabilities) as at reporting date (cont'd.):

	Note	WAEIR %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000	Total RM'000
Company						
At 31 December 2014						
Floating rate						
Term loan	24	2.12%	(7,168)	(5,372)	–	(12,540)
Revolving credits	24	4.99%	(239,956)	–	–	(239,956)

Interest on borrowings that are subject to floating rate is contractually repriced within a year. Interest on financial instruments at fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group and the Company's profit net of tax would have been RM1,330,000 (2014: RM1,333,000) and RM958,000 (2014: RM947,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

(b) Liquidity and cash flow risks

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure as far as possible that it will have sufficient liquidity to meet its liability as and when they fall due.

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

(b) Liquidity and cash flow risks (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2015			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
Financial liabilities				
Trade and other payables	**95,059**	**–**	**–**	**95,059**
Loans and borrowings	**348,345**	**7,306**	**2,584**	**358,235**
Total undiscounted financial liabilities	**443,404**	**7,306**	**2,584**	**453,294**
Company				
Financial liabilities				
Trade and other payables	**4,078**	**–**	**–**	**4,078**
Loans and borrowings	**256,207**	**–**	**–**	**256,207**
Total undiscounted financial liabilities	**260,285**	**–**	**–**	**260,285**

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

(b) Liquidity and cash flow risks (cont'd.)

	2014			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group				
Financial liabilities				
Trade and other payables	69,822	–	–	69,822
Loans and borrowings	342,964	12,600	3,734	359,298
Total undiscounted financial liabilities	412,786	12,600	3,734	429,120
Company				
Financial liabilities				
Trade and other payables	3,299	–	–	3,299
Loans and borrowings	247,394	5,445	–	252,839
Total undiscounted financial liabilities	250,693	5,445	–	256,138

(c) Credit risk

The Group seeks to invest cash assets safely and profitably. The Group also seeks to control credit risk by setting counterparty limits, obtaining bank guarantees where appropriate, ensuring that sale of products and services are made to customers with an appropriate credit history, and monitoring customers' financial standing through periodic review and credit checks at point of sales. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

As at 31 December 2015 and 31 December 2014, the maximum exposure to credit risk for the Group is presented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Deposits with licensed banks and other financial institutions and that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default. The credit risk information regarding trade and other receivables is disclosed in Note 18.

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

(c) Credit risk (cont'd.)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the reporting date are as follows:

	Group			
	2015		2014	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	**122,611**	**97%**	112,968	99%
Others	**4,099**	**3%**	768	1%
	126,710	**100%**	113,736	100%
By industry sector:				
Heavy engineering contracts	**8,492**	**7%**	27,513	24%
Rendering of services	**105,148**	**83%**	76,477	67%
Sales of goods	**7,778**	**6%**	6,844	6%
Chartering	**5,292**	**4%**	2,902	3%
	126,710	**100%**	113,736	100%

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

(d) Fair value of financial instruments

Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	Note
Trade and other receivables	18
Amounts due from subsidiaries, joint ventures and associates	18
Loans and borrowings (current)	24
Trade and other payables	27
Amounts due to joint ventures, associates and holding company	27

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact on discounting.

The fair value of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

Fair value hierarchy

Set out below is the carrying amounts and fair value of the Group's financial liabilities, other than those with carrying amounts are reasonable approximations of fair values:

	Group			
	Carrying amount		**Fair value**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Financial liabilities				
Interest bearing loans and borrowings, representing hire purchase and finance lease liabilities	**(209)**	(60)	**(207)**	(60)

The fair value of the Group's long term financial instruments are categorised as level 2 in the fair value hierarchy as they are estimated by discounting the future contractual cash flows at the current market rate available for similar instruments.

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

(e) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, RM. The Group's policy is to minimise the exposure of overseas operating subsidiaries/activities to transaction risk by matching local currency income against local currency costs. The currencies giving rise to this risk are primarily the United States Dollar ("USD") and Euro ("EUR"). Foreign exchange exposures are kept to an acceptable level.

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currency are as follows:

	Deposits, cash and bank balances RM'000	Receivables RM'000	Payables RM'000	Borrowings RM'000	Total RM'000
At 31 December 2015					
USD	**1,807**	**5,389**	**(7,914)**	**(55,560)**	**(56,278)**
EUR	**23,052**	**2,301**	**(11,691)**	**–**	**13,662**
	24,859	**7,690**	**(19,605)**	**(55,560)**	**(42,616)**
At 31 December 2014					
USD	319	5,264	(2,503)	(52,496)	(49,416)
EUR	28,918	–	(13,019)	–	15,899
	29,237	5,264	(15,522)	(52,496)	(33,517)

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

(e) Foreign exchange risk (cont'd.)

Sensitivity analysis for foreign exchange risk

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in the USD and EUR exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

		Group Profit/(loss) net of tax	
		2015 RM'000	**2014 RM'000**
USD/RM	- strengthened 5%	**(2,814)**	(2,471)
	- weakened 5%	**2,814**	2,471
EUR/RM	- strengthened 5%	**683**	795
	- weakened 5%	**(683)**	(795)

29. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 24) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 24) over the aggregate of the equity held by shareholders and non-controlling interests is 1.32 times (2014: 1.18 times). The Group's policy is to keep gearing within manageable levels.

With respect to banking facilities that the Group has with certain financial institutions, the Group is committed to ensure that the maximum gearing ratio limit of 1.5 times calculated by dividing the amount of borrowings over the aggregate of the equity held by shareholders is complied with at all times.

30. SEGMENTAL INFORMATION

For management purposes, the Group's business is organised on the activities, products and services. For each of the segments, the Managing Director reviews the internal management reports on a quarterly basis, at least. The following summary describes the operations of each of the Group's segments:

(i) Heavy engineering – The business units under this segment are principally engaged in shipbuilding and maintenance, repair and overhaul (MRO) of commercial vessels and Navy's patrol vessels;

(ii) Manufacturing – The business unit under this segment is principally engaged in the manufacturing of electronic products and provide and undertake system design, infrastructure and facilities, project management and integration works and services for the defence, commercial and industrial sectors, manufacturers, installers, maintainers, repairers of and dealers in electrical and electronic appliances and apparatus; and

(iii) Chartering – The business units under this segment is principally engaged in the chartering of chemical tankers.

Included in the heavy engineering segment, the revenue of approximately RM227,457,000 (2014: RM204,147,000) is derived from one major customer.

The Group operates fully in Malaysia. Transfer pricing between operating segments are on arm's length basis. Inter-segment revenues are eliminated at consolidation level. The Group practises central fund management where surplus funds within the Group are on-lent, and the interest charge arising from such arrangements is eliminated in full.

Management monitors the operating results of the three Divisions for the purposes of making decisions about resource allocation and performance assessment. Segment result is evaluated based on operating profit or loss set out in the following table:

	Heavy engineering RM'000	Manufacturing RM'000	Chartering RM'000	Total RM'000
As at 31 December 2015				
Continuing operations				
Revenue				
External revenue	**265,641**	**–**	**–**	**265,641**
Results				
Segmental results-external	**11,632**	**–**	**–**	**11,632**
Interest income	**443**	**–**	**–**	**443**
Finance cost	**(18,202)**	**–**	**–**	**(18,202)**
Share of results in joint ventures	**(1,261)**	**22,755**	**–**	**21,494**
Share of results in associates	**(19,316)**	**–**	**–**	**(19,316)**
(Loss)/profit before taxation from continuing operations	**(26,704)**	**22,755**	**–**	**(3,949)**
Income tax expense				**(3,589)**
Loss for the year from continuing operations				**(7,538)**
Discontinued operation				
Loss from discontinued operation, net of tax	**–**	**–**	**(23,201)**	**(23,201)**
Loss for the year				**(30,739)**

30. SEGMENTAL INFORMATION (CONT'D.)

Management monitors the operating results of the three Divisions for the purposes of making decisions about resource allocation and performance assessment. Segment result is evaluated based on operating profit or loss set out in the following table: (cont'd.)

	Heavy engineering RM'000	Manufacturing RM'000	Chartering RM'000	Total RM'000
As at 31 December 2014				
Continuing operations				
Revenue				
External revenue	299,560	–	–	299,560
Results				
Segmental results-external	32,184	–	–	32,184
Interest income	369	–	–	369
Finance cost	(16,895)	–	–	(16,895)
Share of results in joint ventures	712	9,570	–	10,282
Share of results in associates	7,098	–	–	7,098
Profit before taxation from continuing operations	23,468	9,570	–	33,038
Income tax expense				(2,488)
Profit for the year from continuing operations				30,550
Discontinued operation				
Loss from discontinued operation, net of tax	–	–	(12,700)	(12,700)
Profit for the year				17,850

In the current and previous financial year, no inter-segment sales was recorded.

The Group was principally engaged in the heavy engineering segment within Malaysia. The other segments are not reportable segments to be disclosed under the requirements of MFRS 8.

Pursuant to the announcement made by the Company on 23 December 2015 to dispose off all three chemical tankers, the chartering segment has been classified as discontinued operation as at 31 December 2015. Further details of the event is disclosed in Note 21.

31. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the use of land and buildings and equipment. These leases have an average life of between 1 to 3 years with renewal options included in the contracts.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Future minimum rental payments:		
Not later than 1 year	**2,363**	1,199
Later than 1 year but not later than 5 years	**3,952**	2,762
Later than 5 years	**10,309**	11,353
	16,624	15,314

The lease payments recognised in profit or loss during the financial year are disclosed in Notes 5 and 19.

(b) The Group as lessor

The Group has entered into a commercial property lease for its investment property. The non-cancellable lease has a remaining lease term of ten years. The lease includes a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating lease at the reporting date is as follows:

	Group
	2015 RM'000
Not later than 1 year	**2,443**
Later than 1 year but not later than 5 years	**10,454**
Later than 5 years	**10,755**
	23,652

32. CAPITAL COMMITMENTS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Approved but not contracted for:				
- Property, plant and equipment	**248,330**	86,082	**–**	–
Approved and contracted for:				
- Property, plant and equipment	**648**	230	**–**	–

33. CONTINGENT LIABILITY

A customer of the Group, issued a notice of arbitration dated 7 December 2012 against a subsidiary of the Group for alleged breach of contract. The subsidiary, in response, has initiated a counter-claim against the customer.

The customer is claiming USD4,935,000 (RM21,171,000 equivalent) together with interest and costs. The subsidiary's counter-claim is a rejection of the entire customer's claim plus additional sums of USD449,332 (RM1,927,634 equivalent) and RM9,535,994, together with interest and costs.

The discovery of documents process between the customer and the subsidiary of our Group has been completed. The subsidiary of our Group reserves its rights for further discovery of documents, subject to the tribunal's approval. The subsidiary of our Group has submitted a revised application and proposed amended defence and counterclaim on 19 February 2016. Upon conclusion of the amendment process, the tribunal will give further directions accordingly.

34. SIGNIFICANT EVENTS

(a) Internal reorganisation

On 21 August 2015, the Group announced the reorganisation of its corporate structure, in order to achieve better operational efficiencies, organisational clarity and focus on its core businesses. The proposed revised Group structure will be divided into three distinct divisions namely the Defence and Security Division. Commercial Division and Energy Division. The Proposed Internal Reorganisation is not expected to have any material impact on the earnings of the Group for the financial year ended 31 December 2015.

As at to date, the reorganisation process is still on-going.

(b) Proposed acquisition of 30% shares of Airbus Helicopters Simulation Centre Sdn. Bhd.

On 18 March 2015, the Group's wholly owned subsidiary, BHIC Defence Technologies Sdn Bhd ("BHICDT") a subsidiary of the Group has signed a Share Purchase Agreement and Joint Venture Agreement ("JVA") with Airbus Helicopters Malaysia Sdn Bhd ("AHM") for the purpose of providing Full Flight Simulator training services to pilots of EC225/EC725 helicopters in Malaysia. Included in the JVA, AHM is offering 30% of the issued and paid-up capital of Airbus Helicopters Simulation Centre Sdn Bhd for a total consideration of EUR2,300,000.

To date, the conditions precedent of the JVA have not been met.

35. SUBSEQUENT EVENT

Right-sizing

The Group has initiated a plan to identify its optimal organisational structure. One of the critical exercises is to achieve the appropriate human capital resources. This exercise will lead to an overall employee head count reduction as well as reorganising the internal head count to the critical business operation.

Subsequent to 31 December 2015, a total of 78 personnel had accepted the first phase of the mutual separation scheme offered by the Group with a total payment of approximately RM4.3 million.

36. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Interest income				
Subsidiaries	**–**	–	**10,674**	9,488
Government-related financial institutions	**399**	290	**–**	–
Joint venture	**34**	54	**–**	–
Dividend income				
Joint ventures (Note 16)	**5,485**	30,855	**–**	–
Sales of goods/Rendering of services				
Associates	**153,589**	135,936	**–**	–
Joint venture	**62,773**	63,228	**–**	–
Purchases of goods/Rendering of services				
Immediate holding company	**351**	507	**297**	236
Related companies	**3,391**	2,630	**255**	126
Joint venture	**69**	1,378	**–**	–
Associates	**5,867**	17,471	**–**	–
Interest expense paid to:				
Subsidiaries	**–**	–	**126**	121
Joint venture	**9**	15	**–**	–
Government-related financial institutions	**8,726**	8,497	**7,550**	7,669

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2015 are disclosed in Notes 18 and 27.

36. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Wages and salaries	**6,250**	5,462	**481**	483
Defined contribution plan	**802**	752	**58**	58
Others	**1,074**	1,592	**491**	607
	8,126	7,806	**1,030**	1,148
Included in the total key management personnel are:				
Directors' remuneration (Note 7)	**2,272**	2,127	**794**	847

(c) Government-related entities

The Group is a Government-related entity by virtue of its relationship with Lembaga Tabung Angkatan Tentera, the ultimate holding corporation of the Group.

The Group operates in an economic regime dominated by entities directly or indirectly controlled by the Government of Malaysia through its Government authorities, agencies, affiliations and other organisations, collectively referred to as Government-related entities. These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not Government related. The Group has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are Government-related entities or not.

(i) Individually significant transactions because of size of transactions

- BDNC, a joint venture of the Group, received a letter of award on 12 August 2010 from the Ministry of Defence ("MINDEF") to undertake In Service Support for 2 Royal Malaysian Navy's Prime Minister Class Scorpene Submarines for EUR193.0 million (RM870.0 million equivalent) and RM532.0 million and is effective until 30 November 2015. The contract was finalised on 3 September 2014.

- On 16 December 2011, BN Shipyard, an associate of the Group, received a letter of award from the MINDEF to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of "Second Generation Patrol Vessels Littoral Combat Ships (Frigate Class)" (LCS) at a contract value of RM9.0 billion. The contract was finalised on 17 July 2014.

36. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Government-related entities (cont'd.)

(i) Individually significant transactions because of size of transactions (cont'd.)

- BHICAS, a joint venture of the Group, received a letter of award on 30 January 2013 for the In Service Support for 6 Royal Malaysian Navy helicopters (Fennec AS555SN) at a contract value of RM32.0 million for a period of 3 years from the date of acceptance of the award.

- BHICAS, a joint venture of the Group, received a letter of award on 26 June 2013 for the Integrated Maintenance and Logistic Support Services for 3 Malaysian Maritime Enforcement Agency Dauphin AS365N3 Helicopters for a period of 3 years from the date of acceptance of the award at a ceiling contract value of RM65.0 million.

- BHICAS, a joint venture of the Group, received a letter of award on 20 March 2014 for the In Service Support contract for the maintenance and supply of spare parts for the Royal Malaysian Air Force EC725 Helicopters at a contract value of RM220.0 million for a period of 3 years from the date of acceptance of the award.

- On 2 September 2015, BN Shipyard an associate of the Group received a Letter of Work from MINDEF awarding BNS a contract for scheduled refit maintenance of KD PAHANG for the RMN at a ceiling contract value of RM92.4 million. The written acknowledgement was executed on 17 September 2015.

- On 12 October 2015, BDNC has received and accepted and additional Letter of Acceptance from MINDEF dated 29 September 2015, with a revised and final negotiated price of the Extended Contract of RM153.2 million and EUR70.3 million and a revised tenure to 31 March 2018.

37. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 1 March 2016.

38. DISCLOSURE OF REALISED AND UNREALISED UNAPPROPRIATED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profit or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2015 into realised and unrealised profits, pursuant to Bursa Malaysia Securities Berhad's Directive Ref: LD26/10 dated 20 December 2010 is tabulated below:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
Realised	**(381,824)**	(310,297)	**(94,707)**	(60,660)
Unrealised	**35,068**	23,260	**–**	–
Total share of retained profits from associates:				
Realised	**112,647**	131,963	**–**	–
Total share of retained profits from joint ventures:				
Realised	**109,962**	71,968	**–**	–
Unrealised	**(13,668)**	2,832	**–**	–
	(137,815)	(80,274)	**(94,707)**	(60,660)
Consolidated adjustments	**159,176**	132,373	**–**	–
Total Group retained profits/(accumulated losses) as per consolidated financial statements	**21,361**	52,099	**(94,707)**	(60,660)

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

STATISTICS OF SHAREHOLDINGS
AS AT 15 FEBRUARY 2016

Authorised Share Capital	:	RM500,000,000
Paid-Up Share Capital	:	RM248,457,614
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of holders	%	No. of shares	%
1 – 99	1,039	28.387	17,720	0.01
100 – 1,000	955	26.092	553,733	0.22
1,001 – 10,000	1,236	33.770	5,371,613	2.16
10,001 – 100,000	365	9.972	10,978,000	4.42
100,001 – Less than 5% of issued shares	62	1.693	30,802,500	12.40
5% and above of issued shares	3	0.081	200,734,048	80.79
Total	**3,660**	**100.000**	**248,457,614**	**100.00**

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

Size of Shareholdings	No. of share direct	%	No. of shares indirect	%
Boustead Holdings Berhad	161,497,448	65.0	–	–
Lembaga Tabung Angkatan Tentera	20,261,800	8.16	161,497,448	65.0
Lembaga Tabung Haji	18,974,800	7.64	–	–

DIRECTORS SHAREHOLDING

Name of Directors	Direct	No. of share %	Indirect	Size of %
Tan Sri Dato' Seri Lodin Wok Kamarudin	2,000,000	0.80	–	–
Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor	2,000,000	0.80	11,200*1	#
Datuk Azzat Kamaludin	350,000	0.14	–	–
Dato' Ishak Osman	10,000	#	20*2	#
Encik Abd Malik A Rahman	3,000	#	1,000*3	#

NOTES :

*1 Deemed interest by virtue of shares held by his daughter.

*2 Deemed interest by virtue of shares held by his son.

*3 Deemed interest by virtue of shares held by his spouse.

\# Negligible

LIST OF TOP 30 HOLDERS

30 LARGEST SHAREHOLDERS AS AT 15 FEBRUARY 2016

	Name of shareholders	No. of shares	%
1	BOUSTEAD HOLDINGS BERHAD *ACCOUNT NON-TRADING*	**161,497,448**	**65.00**
2	LEMBAGA TABUNG ANGKATAN TENTERA	**20,261,800**	**8.16**
3	LEMBAGA TABUNG HAJI	**18,974,800**	**7.64**
4	TAN HAN CHONG	**3,072,000**	**1.24**
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN (CEB)	**2,083,400**	**0.84**
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AHMAD RAMLI BIN MOHD NOR (8029256)*	**2,000,000**	**0.80**
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PERAMJEET SINGH A/L GIAN SINGH (8029243)*	**2,000,000**	**0.80**
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN (8029271)*	**2,000,000**	**0.80**
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEAN MENG SEONG (8029269)*	**1,560,900**	**0.63**
10	LIEW YAM FEE	**1,200,000**	**0.48**
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NORAZLAN BIN MOHAMAD NORDIN (CEB)*	**1,141,100**	**0.46**
12	B & A FAMILY HOLDINGS SDN BHD	**900,000**	**0.36**
13	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW KWAI PING*	**858,500**	**0.35**
14	HSBC NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)*	**810,000**	**0.33**
15	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)*	**702,300**	**0.28**

Name of shareholders		No. of shares	%
16	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHING LING*	**572,400**	**0.23**
17	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NOOR AZMAN @ NOOR HIZAM B MOHD NURDIN (CEB)*	**485,000**	**0.20**
18	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC EQUITY FUND*	**483,600**	**0.19**
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MONINDAR KAUR A/P HARCHARAN SINGH (8037133)*	**424,000**	**0.17**
20	TAN LEE HWA	**390,000**	**0.16**
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIM LEONG THUN (E-SS2)*	**388,600**	**0.16**
22	MAVIS TAN KENG MUN	**383,000**	**0.15**
23	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AGROMEGAH CORPORATION SDN BHD*	**366,800**	**0.15**
24	ONG TONG PHENG @ ENG AH TOON	**354,200**	**0.14**
25	AZZAT BIN KAMALUDIN	**350,000**	**0.14**
26	CHAN YOKE CHENG	**350,000**	**0.14**
27	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *EXEMPT AN FOR BANK OF SINGAPORE LIMITED*	**336,000**	**0.14**
28	LAI YOON KEE	**336,000**	**0.14**
29	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RITZ CREST SDN BHD*	**331,000**	**0.13**
30	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AGROBULK HOLDINGS SDN BHD*	**327,300**	**0.13**
	Total	**224,940,148**	**90.53**

LIST OF PROPERTIES

Location	Description	Areas	Tenure	Age	Net book value RM'000
LAND					
Pajakan Negeri No. 649 Lot No. 3222 Mukim 13 Daerah Timur Laut Pulau Pinang	Shipyard (include land and yard development)	20.21 acres	Leasehold expiring on 24/01/2072	44 years	24,305
HSD 6981 Lot No. 9777 Mukim 13 Daerah Timur Laut Pulau Pinang	Reclaimed land for the extension of the area of the shipyard	5.5 acres	Leasehold expiring on 24/01/2072	44 years	1,514
HS(D) 16204, PT8711 Mukim Lumut Daerah Manjung, Perak	Marine industry land	76.0 acres	Leasehold expiring on 18/10/2099	15 years	–
INVESTMENT PROPERTY					
Master Title No. Geran 19583 Lot No. 1210 Mukim Damansara Daerah Petaling Selangor	Helicopter Hangar Building	1.0 acres	20 years, sublease expiring on 14/04/2033 with an option to renew for a further term of 10 years	3 years	13,989

NOTES :
"The Group purchased two (2) pieces of land at Kota Kinabalu, Sabah and Bentong, Pahang with total cost of RM19.7 million. The transfer of land titles are still in progress."

PROXY FORM

BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD (11106-V)
(Incorporated in Malaysia)

Number of shares	

*I/We ____ *NRIC/*Passport/*Company No. ____________________
[FULL NAME IN BLOCK LETTERS]

of ____
[ADDRESS]

being a member of **BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD**, hereby appoint

____ *NRIC/*Passport/*Company No. ____________________
[FULL NAME IN BLOCK LETTERS]

of ____
[ADDRESS]

and/or____ *NRIC/*Passport/*Company No. ____________________
[FULL NAME IN BLOCK LETTERS]

of ____
[ADDRESS]

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for my/our behalf at the 44th Annual General Meeting of the Company to be held at **The Royale Ballroom, Level 2, The Royale Chulan Damansara, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 30 March 2016 at 10.00 a.m.** and at any adjournment thereof and to vote as indicated below:-

		FOR	AGAINST
Ordinary Resolution 1	To re-elect Abd Malik A Rahman.		
Ordinary Resolution 2	To re-appoint Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor.		
Ordinary Resolution 3	To re-appoint Datuk Azzat Kamaludin.		
Ordinary Resolution 4	To approve Directors' Fees in respect of financial year ended 31 December 2015.		
Ordinary Resolution 5	To re-appoint Messrs. Ernst & Young as Auditors of the Company and authorise the Directors to determine their remuneration.		
Ordinary Resolution 6	To authorise Directors to allot and issue shares.		
Ordinary Resolution 7	To approve Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		
Ordinary Resolution 8	To approve Proposed Sale of 3 Chemical Tankers.		

Please indicate with a "X" in the space above on how you wish to cast your vote. In the absence of specific directions, the proxy will vote or abstain as he/she thinks fit.

Dated this .... day of 2016

....
Signature(s) / Common Seal of Member(s)

No. of ordinary shares held:		
CDS Account No.:		
Proportion of shareholdings	First Proxy:	_______%
to be represented by proxies	Second Proxy:	_______%
Contact No.:		

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 22 March 2016 shall be regarded as members and entitled to attend, speak and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a Member of the Company and a member may appoint any persons to be his proxy. The provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 17th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

Fold here

Affix Stamp
Here

The Company Secretary

Boustead Heavy Industries Corporation Berhad
17th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
MALAYSIA

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