



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



2018

ANNUAL REPORT



FACTS AT A GLANCE

TOTAL
EQUITY

RM233 MILLION

NET ASSETS
PER SHARE

94 SEN

TOTAL ASSETS

RM581 MILLION

REVENUE

RM169 MILLION

LOSS
BEFORE TAX

RM105 MILLION

DIVIDEND

1.5 SEN

EMPLOYEES

1,863

WHAT'S INSIDE»

Five-Year Financial Highlights	4	Audit Committee Report	42
Corporate Information	6	Corporate Governance Overview Statement	46
Financial Calendar	7	Statement on Risk Management and Internal Control	56
Profile of Directors	8	Directors' Responsibility Statement	63
Senior Management Team	14	Additional Compliance Information	64

MANAGEMENT DISCUSSION AND ANALYSIS

Message From The Board	20	Recurrent Related Party Transactions	65
Managing Director's Statement	24	Financial Statements	68
• Defence & Security Division	28	Shareholding Statistics	178
• Commercial Division	36	List of Top 30 Shareholders	179
• Energy Division	38	List of Properties	181
		Notice of Annual General Meeting	182
		• Proxy Form	



This annual report is available on the web at
<http://www.bhic.com.my/>

Scan to download our
Sustainability Report 2018



VISION

THE LEADING MARITIME, DEFENCE & ENERGY SOLUTIONS PROVIDER

MISSION

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

OUR CORE VALUE

BELONGING

- » Ownership
- » Loyalty
- » Pride
- » Teamwork

HONOUR

- » Professionalism
- » Courage
- » Sincerity
- » Dignity

INTEGRITY

- » Conscience
- » Honesty
- » Confidentiality
- » Accountability

COMMITMENT

- » Initiative
- » Innovation
- » Enthusiasm
- » Timeliness

ABOUT US

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

- Shipbuilding of military and commercial vessels
- Ship repair and Maintenance, Repair and Overhaul (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)

CORE BUSINESSES

 **DEFENCE & SECURITY DIVISION**

 **COMMERCIAL DIVISION**

 **ENERGY DIVISION**

OUR CORE BUSINESS





DEFENCE & SECURITY DIVISION

The business units under this segment are principally engaged in shipbuilding and MRO of naval vessels. In addition, some units are involved in manufacturing of electronic products and undertake systems design, infrastructure and facilities development, project management and integration works and services, manufacturing, installation, maintenance and repair of electrical and electronic appliances and apparatus.

2018 performance review on page 28

COMMERCIAL DIVISION

The business units under this segment are principally engaged in heavy engineering, new building, repair, MRO of commercial and private vessels, provision of training and MRO of aircrafts.

2018 performance review on page 36

ENERGY DIVISION

The business unit under this segment is principally engaged in the fabrication of steel structures and platforms, marine engineering, oil and gas fabrication, hook-up and commissioning and other services related to the oil and gas industry.

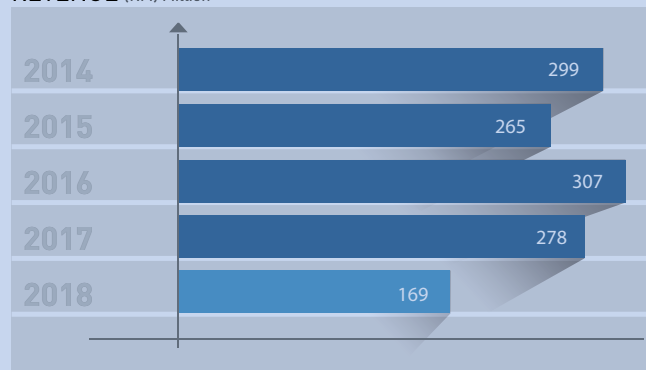
2018 performance review on page 38

FIVE-YEAR FINANCIAL HIGHLIGHTS

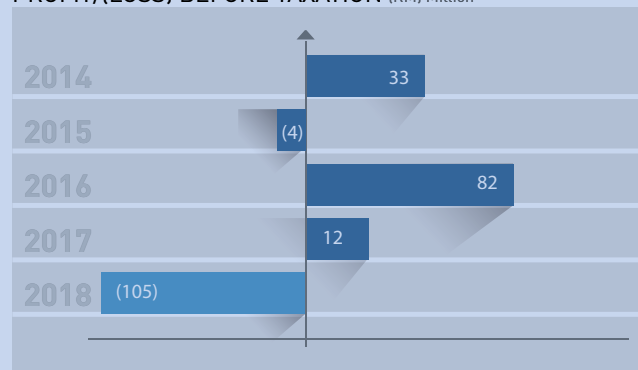
	2018	2017	2016	2015	2014
FINANCIAL PERFORMANCE					
Revenue	169,113	277,647	307,518	265,641	299,560
(Loss) /profit before taxation	(104,615)	11,770	82,208	(3,949)	33,038
(Loss) /profit after taxation	(108,326)	10,576	80,507	(7,538)	30,550
(Loss) /profit attributable to shareholders	(108,326)	10,576	76,696	(30,739)	17,850
(Loss) /earnings per share sen	(43.60)	4.26	30.87	(12.37)	7.18
DIVIDEND					
Dividends for the year	3,727	12,423	-	-	-
Net dividend per share sen	1.50	5.00	-	-	-
GEARING					
Borrowings	273,591	227,817	254,233	355,032	356,167
Gearing times	1.18	0.66	0.73	1.32	1.19
OTHER FINANCIAL STATISTICS					
Net assets per share sen	94	139	139	109	121
Shareholders' equity	232,615	344,668	346,515	269,819	300,557
Total equity	232,615	344,668	346,515	269,820	300,593
Total assets	581,254	660,805	719,422	738,931	747,232

All figures are in RM'000 unless otherwise stated

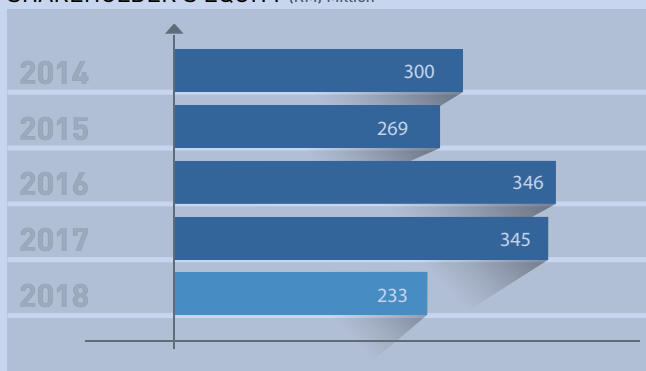
REVENUE (RM) Million



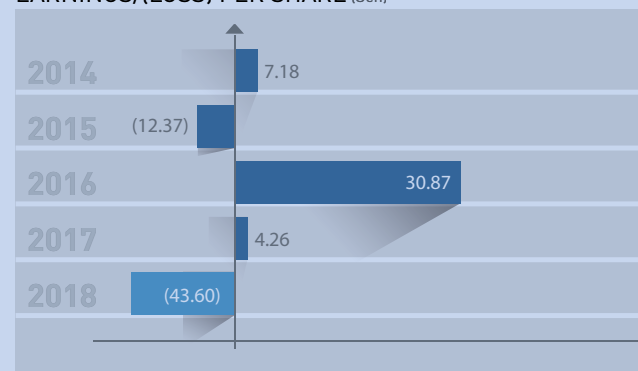
PROFIT/(LOSS) BEFORE TAXATION (RM) Million



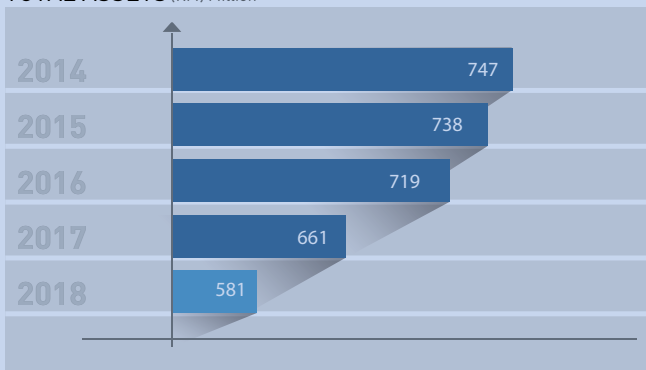
SHAREHOLDER'S EQUITY (RM) Million



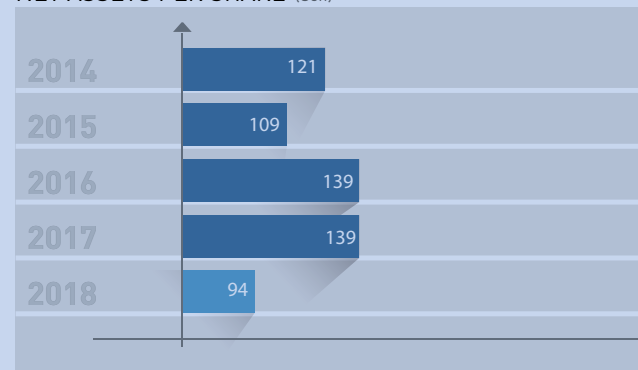
EARNINGS/(LOSS) PER SHARE (Sen)



TOTAL ASSETS (RM) Million



NET ASSETS PER SHARE (Sen)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Seri Lodin Wok Kamaruddin

Chairman

(Until 31 December 2018)

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

Abd Malik A Rahman

Independent Non-Executive Director

Rozi Baharudin

Independent Non-Executive Director

(Appointed on 2 January 2019)

SECRETARIES

Lilyrohayu Ab. Hamid @ Kassim
Suzana Sanudin

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Tel. No: 03-7495 8000
Fax. No: 03-2095 9076

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

WEBSITE

www.bhic.com.my

REGISTERED OFFICE

17th Floor, Menara Boustead
69 Jalan Raja Chulan, 50200 Kuala
Lumpur, Malaysia
Tel. No: 03-2078 7770
Fax. No: 03-2078 7768

PRINCIPAL PLACE OF BUSINESS

17th Floor, Menara Boustead
69 Jalan Raja Chulan, 50200 Kuala
Lumpur, Malaysia
Tel. No: 03-2078 7770
Fax. No: 03-2078 7768

REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 30-01, Level 30, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia
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
MBSB Bank Berhad
Malayan Banking Berhad
Maybank Investment Bank Berhad

FINANCIAL CALENDAR

FINANCIAL YEAR

1 January to 31 December 2018

RESULTS

1st quarter | Announced
17 May 2018

2nd quarter | Announced
21 August 2018

3rd quarter | Announced
23 November 2018

4th quarter | Announced
27 February 2019

ANNUAL REPORT

Issued
25 March 2019

ANNUAL GENERAL MEETING

To be held
23 April 2019

DIVIDEND

First interim

Announced 21 August 2018

Entitlement date 30 October 2018

Payment date 15 November 2018

PROFILE OF DIRECTORS



TAN SRI DATO' SERI LODIN WOK KAMARUDDIN

Chairman until
31 December 2018

Age : 70
Gender : Male
Nationality : Malaysian

Date the Director was first appointed to the Board
1 January 2008

Board Committee(s)

- Remuneration Committee – Chairman
- Executive Committee – Chairman
- Finance Committee – Chairman

Working Experience

- 1973 to 1982 – General Manager, Perbadanan Kemajuan Bukit Fraser
- 1983 - Deputy General Manager, Lembaga Tabung Angkatan Tentera (LTAT)
- 1985 to 2018 – Chief Executive of LTAT
- 1991 to 2018 – Group Managing Director, Boustead Holdings Berhad (BHB)
- 2010 to 2018 – Deputy Chairman, BHB

Qualification

- 1972 - Bachelor of Business Administration, University of Toledo, Ohio, USA
- 1973 - Master of Business Administration, University of Toledo, Ohio, USA
- Member of Asian Institute of Chartered Banker (AICB)

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad

- 2,000,000 ordinary shares

Directorship in other public listed companies
Nil

Directorship in public companies
Nil

Family relationship with any director and/or major shareholder of the Company
No

Conflict of interests with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil



Age : 75
Gender : Male
Nationality : Malaysian

Date the Director was first appointed to the Board
17 August 2005

Board Committee
• Executive Committee - Chairman

Working Experience
• 1964 to 1999 - Royal Malaysian Navy (Retired as Chief of Navy)
• 2005 to current -Executive Deputy Chairman/ Managing Director of Boustead Heavy Industries Corporation Berhad (BHIC) and Boustead Naval Shipyard Sdn Bhd (BNS)

Qualification
• 1965 - Britannia Royal Naval College Dartmouth, UK
• 1976 - Indonesian Naval Staff College
• 1981- Masters Degree, Naval War College and Naval Post-Graduate School in Monterey, USA
• 1982 - Masters Degree in Public Administration, Harvard University, USA

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad

- 2,002,100 ordinary shares

Directorship in other public listed companies
• Favelle Favco Berhad

Directorship in public companies
• Affin Islamic Bank Berhad

Any family relationship with any director and/ major shareholder of the Company
No

Any conflict of interests with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil

**TAN SRI DATO'
SERI AHMAD
RAMLI HAJI
MOHD NOR**

**Executive
Deputy Chairman/
Managing Director**



DATUK AZZAT KAMALUDIN

Non-Independent
Non-Executive Director

Age : 73
Gender : Male
Nationality : Malaysian

Date the Director was first appointed to the Board
17 August 2005

Board Committee(s)

- Audit Committee - Member
- Remuneration & Nominating Committee – Member
- Risk & Sustainability Committee – Member

Working Experience

- 1970 to 1979 – Administrative and Diplomatic Officer, Ministry of Foreign Affairs, Malaysia.
- 1979 to current – Partner of Azzat & Izzat
- 1993 to 1999 – Member of Securities Commission

Qualification

- 1969 - Degree in Law and International Law, University of Cambridge, UK
- 1970 - Admitted as a Barrister-at-Law, Middle Temple, London, UK
- 1979 - Admitted as an Advocate and Solicitor of the High Court of Malaya

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad

- 350,000 ordinary shares

Directorship in other public listed companies

- Boustead Holdings Berhad

Directorship in public companies

- Edotco Group Berhad

Any family relationship with any director and/ major shareholder of the Company
No

Any conflict of interests with the Company

- Datuk Azzat is a partner in Azzat & Izzat Advocates & Solicitors which renders professional services to the BHIC Group in ordinary course of business

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil



Age : 71
Gender : Male
Nationality : Malaysian

Date the Director was first appointed to the Board
22 January 1998

Board Committee(s)

- Remuneration Committee & Nominating Committee – Chairman
- Risk & Sustainability Committee – Chairman
- Executive Committee – Member
- Audit Committee – Member

Working Experience

- 1971 – 1982 – Ministry of Finance Malaysia
- 1982 – 1984 – Senior Manager Project Finance, Amanah Merchant Bank Berhad (now known as Alliance Bank)
- 1984 – 1986 – General Manager Banking & Advisory, Amanah Merchant Bank Berhad (now known as Alliance Bank)
- 1987 – 1989 – Senior General Manager (Operations), Kompleks Kewangan Malaysia Berhad (now known as Malaysian Industrial Development Finance (MIDF))
- 1987 – 1989 Directors – Amanah Merchant Bank Berhad, Malaysia Discount Berhad, Amanah International Insurance Berhad, Malaysia Credit Finance Berhad, KK Industries Berhad (These companies had been restructured and renamed with some having been absorbed by MIDF)
- 1989 – 1991 – Managing Director, Malaysia Credit Finance Berhad (absorbed by Maybank)

- 1992 – 1996 – CEO, MyStore Sdn Bhd
- 1997 – Senior General Manager, Business Focus Sdn Bhd
- 1998 – 2006 – Executive Director, PSC Industries Berhad (now known as BHIC)

Qualification

- 1971 – Degree in Economy (Hons) majoring in Accountancy – University of Malaya
- 1977 – Master of Business Administration in Finance – Leuven University, Belgium

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad

- 10,000 ordinary shares

Directorship in other public listed companies
Nil

Directorship in public companies
Nil

Any family relationship with any director and/ major shareholder of the Company
No

Any conflict of interests with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil

**DATO' ISHAK
OSMAN**
Independent
Non-Executive Director



ABD MALIK A RAHMAN

Independent
Non-Executive Director

Age : 70
Gender : Male
Nationality : Malaysian

Date the Director was first appointed to the Board
1 June 2008

Board Committee(s)

- Audit Committee - Chairman
- Remuneration & Nominating Committee - Member
- Executive Committee – Member
- Risk & Sustainability Committee - Member

Working Experience

- 1969 – Peat Marwick Mitchell (KPMG)
- 1970 – Esso Group of Companies
- 1976 – Colgate Palmolive (M) Sdn Bhd
- 1981 – Amway (Malaysia) Sdn Bhd
- 1985 – Fima Metal Box Berhad
- 1991 – Guinness Anchor Berhad
- 1994 – 2003 – General Manager, Kelang Multi Terminal Sdn Bhd (Westports)

Qualification

- 1973 – Fellow – Association of Chartered Certified Accountants (UK)
- 1974 – Chartered Accountant – Malaysian Institute of Accountants
- 1975 – Member – Chartered Management Institute (UK)
- 1975 – Member – Malaysian Institute of Certified Public Accountants

- 1990 – Member – Malaysian Institute of Management
- 2002 – Certified Financial Planner (USA)

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad

- 3,000 ordinary shares

Directorship in other public listed companies

- Affin Bank Berhad
- Amway (Malaysia) Holdings Berhad
- Mah Sing Group Berhad
- Lee Swee Kiat Group Berhad

Directorship in public companies

- Affin Hwang Investment Bank Berhad
- Affin Hwang Asset Management Berhad
- Affin Holdings Berhad

Any family relationship with any director and/or major shareholder of the Company

No

Any conflict of interests with the Company

No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year

Nil



**ROZI
BAHARUDIN**
Independent
Non-Executive
Director

Age : 60
Gender : Female
Nationality : Malaysian

Date the Director was first appointed to the Board
2 January 2019

Board Committee(s)

- Remuneration & Nominating Committee - Member
- Risk & Sustainability Committee – Member
- Executive Committee - Member

Working Experience

- 1988 to 1992 – Head HR Consulting, KPMG Peat Marwick
- 1992 to 1996 – Partner, PA Consulting Group
- 1996 to 1998 – CEO & Partner, ASPAC Human Resource Consulting
- 1999 to 2018 – General Manager, Human Resource & Administration, Indah Water Konsortium Sdn Bhd

Qualification

- 1982 to 1987 - Eastern Michigan University, USA - Bachelor of Business Administration (Management) and Master of Arts (Social Science)

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad
Nil

Directorship in other public listed companies
Nil

Directorship in public companies
Nil

Any family relationship with any director and/ major shareholder of the Company
No

Any conflict of interests with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil

SENIOR MANAGEMENT TEAM



Ir. EE TECK CHEE
Chief Operating Officer

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

**AHMAD NORDIN
MOHAMMAD**
Chief Financial Officer

Ir. NG HOCK SENG
Advisor, Special Projects

Ir. SUKHDEV SINGH KHAZAN SINGH
Principal Staff Officer
(Submarine)



Ir. AZHAR JUMAAT
Littoral Combat Ship (LCS)
Programme Director

MOHD SIDEK ZAMBRI
Acting Director of Operations
Boustead Naval Shipyard Sdn Bhd

Ir. HAIRUTDIN AYOB
Littoral Mission Ship (LMS)
Programme Director



PROFILE OF SENIOR MANAGEMENT TEAM

TAN SRI DATO' SERI AHMAD RAMLI HAJI MOHD NOR

Executive Deputy Chairman/ Managing Director

Age : 75 • Gender : Male • Nationality : Malaysian

Date of appointment to current position
17 August 2005

Working experience

- 1964 to 1999 - Royal Malaysian Navy (Retired as Chief of Navy)
- 2005 to current – Executive Deputy Chairman /Managing Director of BHIC and BNS

Qualification

- 1965 - Britannia Royal Naval College Dartmouth, UK
- 1976 - Indonesian Naval Staff College
- 1981- Masters Degree, Naval War College and Naval Post-Graduate School in Monterey, USA
- 1982 - Masters Degree in Public Administration, Harvard University, USA

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad

- 2,002,100 ordinary shares

Directorship in other public listed companies

- Favelle Favco Berhad

Directorship in public companies

- Affin Islamic Bank Berhad

Any family relationship with any director and/major shareholder of the Company
No

Any conflict of interests with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil

Ir. EE TECK CHEE

Chief Operating Officer

Age : 62 • Gender : Male • Nationality : Malaysian

Date of appointment to current position
1 December 2018

Working experience

- 1974 to 1991 – Royal Malaysian Navy (Retired as Lieutenant Commander)
- 1991 to 2016 – Various positions in BHIC Group of companies
- 2017 to 2018 - Director of Operations, BNS
- 2018 to present – Chief Operating Officer, BHIC

Qualification

- 1980 - B.Eng Mechanical (Hons), Universiti Teknologi Malaysia
- 1989 - Professional Engineer, Board of Engineers Malaysia
- 2012 – Fellow, Institute of Marine Engineering, Science and Technology (IMarEST) UK
- 2013 – Qualified Trainer certified by Human Resource Development Fund (HRDF)
- 2015 – Certified “Industry Expert” by Ministry of Human Resources, Maritime Sector
- 2015 – Professional Engineer with Practising Certificate

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad
5,000 ordinary shares

Directorship in other public listed companies
No

Directorship public companies
No

Any family relationship with any director and/ major shareholder of the Company
No

Any conflict of interests with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil

AHMAD NORDIN MOHAMMAD

Chief Financial Officer

Age : 52 • Gender : Male • Nationality : Malaysian

Date of appointment to current position
1 March 2011**Working experience**

- 1990 to 1992 – Trainee Accountant, Keshani & Co. Chartered Accountant (UK)
- 1992 to 1994 – Accountant, Perwaja Steel Sdn Bhd
- 1994 to 1996 – Financial Controller, Sistem Televisyen Malaysia Berhad
- 1996 to 1999 – Chief Executive Officer/Alternate Director, TV3 Network Limited/GAMA Film Company Limited
- 1999 to 2000 – General Manager, Cableview Services Sdn Bhd
- 2000 to 2002 – Director of Finance, MIMOS Semiconductor Sdn Bhd
- 2002 – Chief Operating Officer, CMC Engineering Sdn Bhd
- 2002 to 2006 – Chief Financial Officer, MIDCorp Partnership Sdn Bhd/ SyMMiD Corporation Sdn Bhd
- 2006 to 2011 – Financial Controller-Asia, Aljazeera International (Malaysia) Sdn Bhd
- 2011 to current – Chief Financial Officer, BHIC

Qualification

- 1992 – Fellow, Association of Chartered Certified Accountants (UK)
- 2011 – Chartered Accountant, Malaysian Institute of Accountants

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad
NilDirectorship in other public listed companies
NilDirectorship in public companies
NilAny family relationship with any director and/ major shareholder of the Company
NoAny conflict of interests with the Company
NoOther than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil**Ir. NG HOCK SENG**

Advisor, Special Projects

Age : 74 • Gender : Male • Nationality : Malaysian

Date of appointment to current position
1 October 2016**Working experience**

- More than 40 years' experience across Malaysia, Singapore, Africa and China in ship building, ship repair, shipyard facility, workshop and infrastructure construction and oil & gas (O&G) industry (Upstream – O&G platform and accommodation construction / Downstream – petrochemical plant construction)
- 2004 to current – Advisor, Special Projects, BHIC

Qualification

- 1969 – BSc in Mechanical Engineering, Cheng Kung University, Taiwan
Trained in Ishikawajima-Harima Heavy Industries Co., Ltd, Japan in project management, ship repair and ship building

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad
NilDirectorship in other public listed companies
NilDirectorship in public companies
NilAny family relationship with any director and/ major shareholder of the Company
NoAny conflict of interests with the Company
NoOther than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil

PROFILE OF SENIOR MANAGEMENT

Ir. SUKHDEV SINGH KHAZAN SINGH

Principal Staff Officer (Submarine)

Age : 64 • Gender : Male • Nationality : Malaysian

Date of appointment to current position
1 July 2013

Working Experience

- 1974 to 2002 – Royal Malaysian Navy (Retired as Naval Captain)
- 2002 to 2008 – Head of ILS PV Project, BNS
- 2008 to 2013 – Head, BHIC Information Systems/Operations (Submarine Division)
- 2013 to current – Principal Staff Officer (Submarine), MD's Office, BHIC

Qualification

- 1977 to 1980 – BSc in Electrical Engineering, (First Class Hons), Royal Naval Engineering College, Manadon, Plymouth, UK
- 1989 to 1991 – MSc (Operations Research), Naval Post Graduate School, Monterey, USA
- 1989 – Member of Institution of Engineers Malaysia (MIEM)
- 1992 – Professional Engineer (PEng), Board of Engineers Malaysia
- 2006 – Chartered Engineer (CEng), UK
- 2015 – Professional Engineer with Practising Certificate (PEPC), Board of Engineers Malaysia

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad

- 5,000 ordinary shares

Directorship in other public listed companies
Nil

Directorship in public companies
Nil

Any family relationship with any director and/ major shareholder of the Company
No

Any conflict of interests with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil

Ir. AZHAR JUMAAT

LCS Programme Director

Age : 47 • Gender : Male • Nationality : Malaysian

Date of appointment to current position
3 July 2017

Working experience

- 1990 to 2016 – Royal Malaysian Navy (Retired as Naval Captain)
- 2016 to 2017 – Deputy Director, Defence & Security Division, BHIC
- 2017 to current – LCS Programme Director

Qualification

- 1990 to 1994 – BSc in Electrical Engineering (Hons), US Coast Guard Academy, New London, Connecticut, USA
- 2002 to 2003 – MSc Maintenance Engineering & Asset Management, University of Manchester, UK (Chevening Scholarship)
- 2000 – Professional Engineer, Board of Engineers, Malaysia
- 2008 – Chartered Engineer, UK Engineering Council
- 2008 – Naval Post Graduate School, Monterey, California
- 2011 to 2012 – MA Strategic Studies, Deakin University, Australia
- 2012 – Australian Defence College, Canberra, Australia

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad
Nil

Directorship in other public listed companies
Nil

Directorship in public companies
Nil

Any family relationship with any director and/ major shareholder of the Company
No

Any conflict of interests with the Company
No

Other than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil

Ir. HAIRUTDIN AYOB

LMS Programme Director

Age : 55 • Gender : Male • Nationality : Malaysian

Date of appointment to current position
1 November 2017**Working experience**

- 1987 – 2015 - Royal Malaysian Navy (Retired as First Admiral)
- 2015 – 2017 - Business Development Director, Radimax Defence Technology Sdn Bhd
- 2017 to current – LMS Programme Director

Qualification

- 1987 - BSc Electrical Engineering, Lamar University, Texas, USA
- 2001 - Adv. Diploma Defence Strategic Studies, Universiti Malaya
- 2009 - MSc Defence Strategic Studies, Universiti Kebangsaan Malaysia
- 2009 - Diploma Malaysian Armed Forces College, Malaysian Armed Forces Defence College

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad
NilDirectorship in other public listed companies
NilDirectorship in public companies
NilAny family relationship with any director and/ major shareholder of the Company
NoAny conflict of interests with the Company
NoOther than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil**MOHD SIDEK ZAMBRI**Acting Director of Operations
Boustead Naval Shipyard Sdn Bhd

Age : 60 • Gender : Male • Nationality : Malaysian

Date of appointment to current position
1 February 2019**Working Experience**

- 1981 - 2006 - Royal Malaysian Navy (Retired as Commander)
- 2006 - 2019 - Various positions within BNS
- 2019 to current - Acting Director of Operations, BNS

Qualification

- BSc in Mechanical Engineering (Hons) - Universiti Teknologi Malaysia

Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad
NilDirectorship in other public listed companies
NilDirectorship in public companies
NilAny family relationship with any director and/ major shareholder of the Company
NoAny conflict of interests with the Company
NoOther than traffic offences, any convictions for offences within the past 5 years and other particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year
Nil



DEAR SHAREHOLDER,

IN 2018, THE MARINE INDUSTRY CONTINUED TO BE UNDER PRESSURE FROM LOW DEMAND FOR NEWSHIPS, EXCESS CAPACITY IN SEVERAL SHIPPING SECTORS, TIGHT FINANCING AND SLOW GLOBAL ECONOMIC RECOVERY. THESE INDIRECTLY AFFECTED OUR PERFORMANCE DURING THE FINANCIAL YEAR.

ECONOMIC LANDSCAPE

US-China trade war, rising US interest rates, depressed commodity prices and slowdown in China's growth were among the major global economic concerns in 2018. These externalities had an adverse impact on the home front as reflected by lukewarm economic performance, uncertain business outlook and subdued corporate performance.

FINANCIAL PERFORMANCE

Amidst this challenging business landscape, the Group had to contend with fewer defence-related MRO projects and negative contributions from associates and joint venture (JV) companies. As a result, the Group posted a net loss of RM108 million on the back of RM169 million revenue for the year ended 31 December 2018 primarily due to impairments and provisions.

We ended the year with a loss per share of 44 sen and net assets per share of 94 sen, while our shareholders' funds stood at RM233 million.



DIVIDEND

True to our unwavering commitment to deliver value to our shareholders, we paid an interim dividend of 1.5 sen per share for the financial year ended 31 December 2018 despite our results.

We will continue to work hard to deliver value as a reward for your support and loyalty to the Group.

MAJOR ACHIEVEMENTS

Key milestones in 2018 were achieved with the Littoral Mission Ships (LMS) programme currently ongoing in partnership with China Shipbuilding & Offshore International Co Ltd.

A steel cutting ceremony for LMS1 was held at Wuchang Shipyard in Wuhan, China in July 2018. This was followed by a double ceremony held in October 2018 to mark the keel laying for LMS1 and steel cutting for LMS2. The ceremony was graced by Minister of Defence, YB Tuan Haji Mohamad Sabu who was accompanied by Chief of Armed Forces, General Tan Sri Dato' Seri Panglima Haji Zulkifli Haji Zainal Abidin and First Admiral Shamsuddin Haji Ludin from the Royal Malaysian Navy (RMN).

The LMS, a new class of RMN warship, will boost Malaysia's maritime defence as part of the Navy's 15to5 Transformation Programme to replace ageing warships and create a lean, fit-for-purpose fleet.

The Littoral Combat Ships (LCS) programme however was impacted by revision of project cost due to variation orders and an increase in its project finance cost, pending customer's approval.

The construction of the first four units of six LCS is currently ongoing. The keel laying ceremony of LCS4 took place in October 2018 at Boustead Naval Shipyard Sdn Bhd (BNS) in Lumut, Perak. The ceremony was officiated by Deputy Minister of Defence, YB Senator Tuan Liew Chin Tong.

Both LMS and LCS will enhance the strength and capabilities of RMN and will significantly bolster the nation's maritime defence while supporting naval diplomacy.



Our emphasis on skills and talent development has produced a capable workforce which can undertake complex and sophisticated projects

HUMAN CAPITAL

Quality human capital is vital in ensuring the continuous growth and development of an organisation. BHIC continues to focus on achieving optimal organisation structure while enhancing the skill set, expertise and capabilities of our employees.

In June 2018, Chan Ling Ket, Head of Engineering Department of our JV company, Boustead DCNS Naval Corporation Sdn Bhd (BDNC) was qualified as the Maintenance Authority personnel to approve on the diving safety of the RMN Scorpene class submarines by Naval Group, France. He is the first Malaysian to receive this prestigious award which marks a notable success story of our commitment to develop human capital.

SUSTAINABILITY

Conducting our business with a sustainability-driven mindset is being inculcated at every level of our operations, from corporate offices to shipyards. We believe long-term growth can only be achieved if profitability is balanced with environment consciousness, inclusive development that benefits the wider community and people-oriented strategy. Our sustainability initiatives are outlined in a report accompanying this Annual Report.



Chan Ling Ket with his Maintenance Authority certification awarded by Naval Group

BHIC continues to focus on achieving optimal organisation structure while enhancing the skill set, expertise and capabilities of our employees.

THE WAY FORWARD

The Group takes a cautiously optimistic view of the year ahead given the indications that the marine and the oil and gas industries will continue to face challenges.

The Group is however encouraged that the Malaysian Government is fully committed to safeguard the country's maritime security and to promote naval diplomacy. The Group is confident of securing additional new shipbuilding contracts as well as MRO works from RMN, in line with its 15to5 Transformation Programme, and from other Government agencies.

The Group will continue to explore shipbuilding and ship repair prospects with the Royal Malaysian Police and the Malaysian Maritime Enforcement Agency (MMEA) as well as potential business opportunities in the region.

The year ahead looks set to present the Group with its fair share of challenges. Various internal and external factors will continue to impact the global and local economies and the industries we are involved in. However, the Group is committed to deliver value to our shareholders while contributing to safeguarding the nation's security through our activities.

APPRECIATION

The Board would like to take this opportunity to record our heartfelt gratitude to our former Chairman, Tan Sri Dato' Seri Lodin Wok Kamaruddin for his immense contribution to the Group. His commitment and passion, as well as his charismatic leadership, were instrumental in making BHIC a leading defence and maritime services provider in Malaysia.

We would also like to extend a warm welcome to Puan Rozi Baharudin as our Independent Non-Executive Director. Her appointment reflects our commitment to diversity.

We are certain that there will be huge expectation on us as we continue to serve as Board members of BHIC. We look forward to contribute to growing the Group's business and delivering good results. To the Management and warga BHIC, we thank you for your dedication and efforts.

Additionally, we would like to record our appreciation to the numerous Malaysian Government entities including the Prime Minister's Office, Ministry of Finance, Ministry of Defence, Ministry of Transport, RMN, Royal Malaysian Air Force (RMAF), Malaysian Army and MMEA for their continuous support to the Group. Our sincere thanks also to our shareholders, clients, bankers, vendors, suppliers and regulatory bodies, and the local communities in our operations bases for supporting us.

On behalf of the Board



DATO' ISHAK OSMAN
Senior Independent Director

MANAGING DIRECTOR'S STATEMENT

DEAR SHAREHOLDER,

2018 WAS A TRYING YEAR AS THE MARITIME INDUSTRY CONTINUED TO BE UNDERPINNED BY EXCESS CAPACITY AND TIGHT FINANCING. FOR THE BHIC GROUP, THE FINANCIAL PERIOD WAS FRAUGHT WITH INTERNAL AND EXTERNAL FACTORS WHICH IMPACTED EARNINGS DESPITE KEY PROJECTS CONTINUING TO MAKE PROGRESS.



Financial Performance

While the BHIC Group recorded profits for the first three quarters of 2018, we ended the year by registering a loss of RM108 million on the back of a lower revenue of RM169 million compared with RM278 million in financial year 2017.

**TAN SRI DATO' SERI
AHMAD RAMLI HAJI MOHD NOR**

Executive Deputy Chairman/ Managing
Director

The Group's results were impacted by a negative contribution of RM53 million posted by associates in the Defence and Security Division. The loss was mainly attributed to the revision in costs of the LCS programme arising from variation orders and higher project finance cost. The Group is pursuing the additional claims with the relevant authorities to recover the costs arising therefrom. In comparison, the Division's results in 2017 were supported by a reversal of provision for cost and reversal of long outstanding debt pertaining to the salvage work for the Service Life Extension Programme for RMN.

The JV companies also recorded a negative contribution due to provisions for Liquidated Ascertained Damages and costs overrun incurred under the RMN submarines contracts. However, this was cushioned by improved earnings from MRO contracts for helicopters.



The oil and gas industry's continued sluggishness also affected demand for new offshore structures, thereby negatively impacting the Group's Energy Division.

In pursuing sustainable growth, the Group is widening its horizons beyond its core businesses of naval shipbuilding and ship repair by strategically pursuing opportunities in the aviation sector. During the year under review, we completed the acquisition of a 30% stake in Airbus Helicopters Simulation Centre Sdn Bhd in a bid to provide full flight simulator training services for pilots of H225/H225M helicopters in Malaysia. This is expected to strengthen our relationship with Airbus and to enable us to leverage on other possible business collaborations.

Meanwhile, our JV, company BHIC AeroServices Sdn Bhd (BHICAS) made further headway by winning key MRO contracts for helicopters. The Group will continue to focus on MRO activities which have proven to be a key revenue contributor to our aviation segment.



BHIC has extensive experience in MRO works including engines and equipment



Keel Laying Ceremony of LCS4 at BNS on 31 October 2018



Human capital development is a key part of BHIC's transformation strategy

Strategic Planning & Transformation

The Group's transformation strategy bore fruit in 2018. It centred on enhancing productivity at our shipyards and expanding our position as a market leader in the region. The ongoing BNS Rationalisation Programme is based on adopting a new approach for more efficient yard management. An early benefit of the programme was seen in 2018 as the shipyard efficiently completed several projects ahead of schedule.



A ship being built by BNS which has extensive experience in building and repairing naval vessels



KEY DEVELOPMENTS »

BNS undertook MRO work on

6 SHIPS

Completion of DED work on
RMN's KD MAHAWANGSA

2 DAYS AHEAD

BDNC completed the nation's
first submarine refit work on

KD TUNKU ABDUL RAHMAN

DEFENCE & SECURITY DIVISION

The Defence & Security Division remained a key business component for the BHIC Group, despite the challenges it faced. The Division renewed its focus on improving operational efficiencies and timely completion of MRO projects, as well as ensuring the LMS and LCS programmes continued to progress.



MAINTENANCE, REPAIR AND OVERHAUL (MRO)

The Group has built a solid reputation for providing diverse MRO services to the aviation sector as well as to submarines, naval vessels, systems and equipment.



BHIC maintains air, surface and sub-surface assets of the Malaysian Army

BNS handles the bulk of MRO activities involving RMN assets. The shipyard undertook Docking for Essential Defect (DED) work for five ships, namely **KD JEBAT, KD PERANTAU, KD LEKIR, KD KEDAH** and **KD LAKSAMANA HANG NADIM** for RMN during the year under review.



Continuous repair works awarded to us by RMN reflect its trust in our capabilities

BNS also achieved successful completion of DED work on **KD MAHAWANGSA** which commenced in 2017 and delivered the ship to RMN two days ahead of schedule.

In addition, we received a Letter of Award from the Ministry of Defence for the maintenance and upgrading of a combat management system for **KD JEBAT** valued at RM45 million. The project is expected to be completed at the end of 2019.

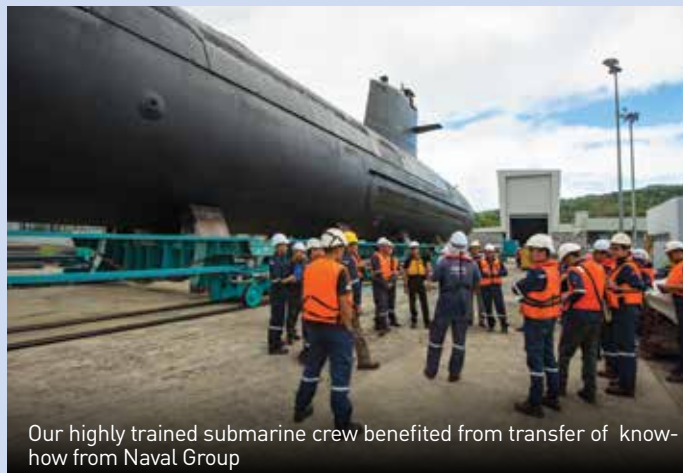
The yard also started Emergency Repair Defect List work on **KD MAHAWANGSA** and **KD MAHAMIRU** in 2018. While work on **KD MAHAWANGSA** is ongoing as the ship entered the yard in August 2018, **KD MAHAMIRU** was handed back to RMN on schedule in September 2018.



Well-trained workers are the bedrock of our MRO capabilities

In 2018, BHIC Bofors Asia Sdn Bhd completed MRO training for Bofors 57mm Mk3 stealth naval guns for the LCS programme. The year also saw us supplying and delivering spare parts for Bofors 40mm/L70 guns, as well as providing maintenance services to the guns and training to RMN personnel.

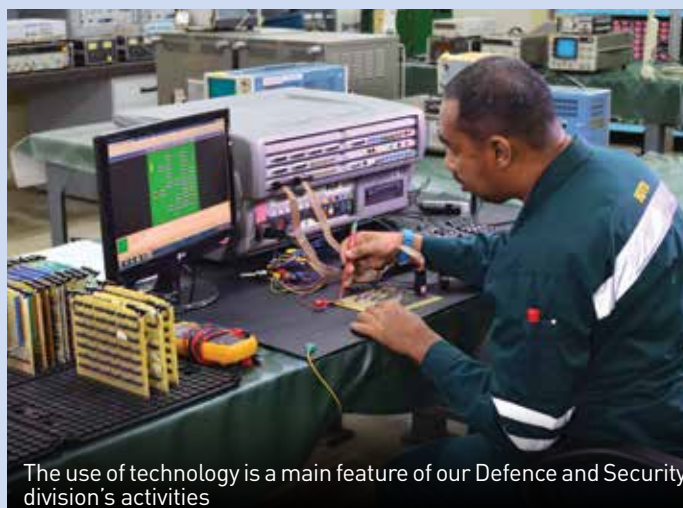
The Group remains committed to enhancing its presence in the aviation sector as the industry offers exciting earnings potential in MRO and manufacturing activities. Our JV company, BHICAS successfully completed MRO work on two aircraft for the RMAF under the H225M In-Service Support (ISS) contract ahead of schedule in 2018.



Our highly trained submarine crew benefited from transfer of know-how from Naval Group

Our JV company, BDNC had successfully completed submarine refit work on **KD TUNKU ABDUL RAHMAN** which was delivered to RMN in June 2018.

BHIC Defence Techservices Sdn Bhd continued to provide maintenance and supply of spare parts for the Skyguard radar and 35mm Oerlikon guns used by the Malaysian Army. During the year, the Group provided MRO services to RMN for 30mm guns and missile launching system as well as for the 3D tracking radar system on board **KD PERAK**.



The use of technology is a main feature of our Defence and Security division's activities

SHIPBUILDING & FABRICATION

The Group takes pride in being able to contribute to safeguarding the nation's security while developing skilled local maritime talent. Our two iconic shipbuilding programmes for RMN, namely LCS and LMS, continued to make strides in 2018. Upon their completion, the vessels will be integral components in the RMN fleet and its 15to5 Transformation Programme.

The construction of the first four units of LCS is ongoing at BNS in Lumut. The keel laying ceremony of LCS4 took place in October 2018. The Group expects to hold the keel laying for LCS5 and launch and name LCS2 in 2019.

The LMS programme made steady progress in 2018. A steel cutting ceremony for LMS1 was held at Wuchang Shipyard in Wuhan, China in July 2018. Later in the year, a double ceremony marking the keel laying for LMS1 and steel cutting for LMS2 was also held at the same shipyard. The financial year 2019 started with the keel laying ceremony of LMS2 in January.



Minister of Defence, YB Tuan Haji Mohamad Sabu officiating the keel laying of LMS1 built by BNS in Wuhan, China



The award given to BNS to build six units of LCS is a reflection of its ability to undertake sophisticated, complex shipbuilding projects

IN-SERVICE SUPPORT (ISS)

The Group has proven capabilities in developing and providing a full-spectrum of ISS to critical defence assets that helps ensure their optimal operational availability.

During the year, we undertook new and ongoing ISS projects which showcased our prowess as an integrated solutions provider.

BHIC Navaltech Sdn Bhd delivered and successfully installed five units of new navigation radars for RMN's Kedah-Class patrol vessels.

The year also saw BHICAS supplying spare parts for RMN's Fennec AS555SN helicopters and successfully completed MRO work on two aircraft for the RMAF under the H225M ISS contract. It also provided Integrated Maintenance and Logistics Support Services for MMEA's Dauphin AS365N3 helicopters.

Our JV company, BDNC provides ISS to the two RMN submarines, **KD TUNKU ABDUL RAHMAN** and **KD TUN RAZAK**.



BDNC is entrusted to undertake ISS of RMN's submarines



BHICAS provides MRO services to helicopters owned by Government agencies

MANUFACTURING

Our JV company, Contraves Advanced Devices Sdn Bhd (CAD), together with Germany-based Rheinmetall Group, has been playing a pivotal role in contributing to the progress of the LCS project with the combat management system and integration of main equipment. During the year, CAD conducted several Person Overall In-charge in Advisory Control (POAC) maritime training services to its external customers and undertook MRO work on **KD PERAK**.

Pyrotechnical Ordnance Malaysia Sdn Bhd (POM), a JV company, was established to produce propellants for the defence industry. In November 2018, POM's management attended the Zhuhai Defence Exhibition in China to look for potential business opportunities. Resulting from this, POM is exploring areas of cooperation in propellant manufacturing with China.



Propellant manufacturing at POM



The Group is involved in high-end systems design and integration through its JV company, CAD



Servicing luxury yachts and high-end marine leisure crafts is one of the key activities at our yard in Langkawi, BLS



Despite its negative contribution, the Commercial Division managed to deflect some of the industry's challenges including low demand and overcapacity to secure some MRO work in 2018.

Boustead Penang Shipyard Sdn Bhd (BPS) commenced MRO work on two commercial vessels and one barge in 2018. Boustead Langkawi Shipyard Sdn Bhd (BLS), an associate, was awarded a contract for repair work on RMN's Combat Boat 90 Hex 001 (CB90). In February 2018, BLS completed MRO work for MMEA-owned PENGALANG. Additionally, the yard completed MRO work on a total of 14 white boats and 30 ferries during the year.

COMMERCIAL DIVISION



Fabrication of offshore structures for the oil and gas industry such as topsides and modules is a key activity of our Energy Division



The Belum Topside project was officially completed and delivered in October 2018. There were no further projects as the oil and gas industry as a whole was negatively impacted by fluctuating oil prices and soft market sentiment.

The Group expects this to continue in the long term and as such is focusing on other business areas in the oil and gas industry that have better earnings potential.

ENERGY DIVISION

PROSPECTS

While we expect challenges to continue in the new financial year, we will leverage on operational efficiencies achieved from the Group-wide transformation initiatives and strive to build a more positive earnings momentum.

We anticipate the Defence and Security Division to positively contribute to the Group's financial results moving forward. The commitment of the Malaysian Government to safeguard national security bodes well for the maritime industry, particularly as RMN continues its 15to5 Transformation Programme. RMN requires modern, formidable, fit-for-purpose assets which BHIC Group is highly capable of providing, taking into account our expertise, experience and skill set.

It is a part of our strategic growth plans to tap into opportunities offered by the RMN, RMAF, Malaysian Army and MMEA.

Prospects in oil and gas industry however will remain uncertain in the years ahead. As such, the Group will continue to improve efficiencies and productivity in the Energy Division while pursuing other growth areas.

In navigating through challenges and unearthing opportunities, we are optimistic about the new financial year and will continue to prepare ourselves to reap the opportunities, come a brighter operating landscape. We remain resilient and committed to pursue cost efficiencies, improve our margins and enhance value for our shareholders.

Talks with the authorities are progressing well hence the Group anticipates the settlement of the additional claims for the LCS programme to be favourable.

ACKNOWLEDGEMENT

I would like to take this opportunity to record our heartfelt appreciation to our former Chairman Tan Sri Dato' Seri Lodin Wok Kamaruddin for his years of visionary leadership and dedicated service to the BHIC Group. He played a pivotal role in shaping our organisation over the years and we wish him the very best in his future undertakings.

On behalf of the Board, I would like to welcome Puan Rozi Baharudin as an Independent Non-Executive Director.



BHIC has developed a strong track record in shipbuilding



The Group expects a continuous stream of ship repair work awarded to its yards in the coming years



Shipbuilding will continue to be among the key contributors to the Group

My sincerest gratitude to all our customers, shareholders and stakeholders for your continued support and loyalty. Thank you also to the Government of Malaysia, its agencies and regulatory bodies and business partners for your steadfast support.

I also wish to extend my deepest appreciation to our employees, the backbone of the BHIC Group, who showed tremendous resilience during what was indeed a demanding year. Last but not least, to BHIC Board members, your wisdom and counsel have taken us through another challenging year.

I am confident that the BHIC team will continue to demonstrate passion, can-do spirit and hardwork onwards in the new financial year.

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

AUDIT COMMITTEE REPORT



COMPOSITION OF MEMBERS

Chairman

Encik 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

The Audit Committee ("AC") comprises three members, all of whom are Non-Executive Directors ("NEDs"), two are Independent NEDs. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR").

The AC Chairman, Encik Abd Malik A. Rahman is a Chartered Accountant member of the Malaysian Institute of Accountants, a member of the Malaysian Institute of Certified Public Accountants and Fellow of the Association of Chartered Certified Accountants (UK). Accordingly, the Company complies with paragraph 15.09(1)(c)(i).

The Board reviews the terms of office of the AC members and assess the performance of the AC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference, and supported the Board in ensuring the Group upholds appropriate Corporate Governance standards.

MEETINGS

The AC held 4 meetings in 2018. Details of the attendance of each member at the AC Meeting held during the financial year ended 31 December 2018 are as follows:

Name of Director	Status of Directorship	Attendance of Meetings
Encik 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

Minutes of each AC meeting were recorded and tabled for confirmation at the next AC meeting and subsequently presented to the Board for notation. The AC Chairman presented to the Board the AC's recommendations to approve the annual and quarterly financial statements. The AC Chairman also conveyed to the Board matters of significant concerns as and when raised by the External Auditors or Internal Auditors. The AC may invite any Board member or any member of management or any employee of the Company who the AC thinks fit to attend its meetings to assist and to provide pertinent information as necessary.

SUMMARY OF ACTIVITIES

The activities undertaken by the AC during the financial year ended 31 December 2018 were as follows:

Financial Reporting

1. Reviewed the quarterly financial results, cashflows, and financial positions for each financial quarter of the Group to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements prior to submission to the Board for consideration and approval for announcement to the public.

2. Reviewed the annual audited financial statements, auditors' report and accounting issues arising from the financial year ended 31 December 2018 audit.

Internal Audit

1. Reviewed and discussed with the Internal Auditors the Annual Audit Plan 2018 that include their scope of work, audit plan and procedures.
2. 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.
3. 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.
4. Reviewed the corrective actions taken by the Management in addressing and resolving issues as well as ensuring that all key issues were adequately addressed on timely basis.

AUDIT COMMITTEE REPORT

External Audit

1. Reviewed the External Auditors' 2018 Audit Plan.
2. Reviewed the audit fees, the number and experience of audit staff assigned to the audit engagement, resources and effectiveness of the External Auditors.
3. Reviewed the performance of External Auditors, their independence and objectivity.
4. Conducted 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.

Related Party Transaction

1. 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.
2. Reviewed Circular to Shareholders relating to the shareholders' mandate for recurrent related party transactions of revenue or trading nature prior to recommending it for Board's approval.

Risk Management

1. Reviewed and discussed major financial and risk issues arising from Risk Management Department's various reports, initiating further studies which it deemed necessary and reported to the Board on the findings of its studies, making appropriate recommendations.
2. 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 GIA function had operated and performed in accordance to the International Professional Practices Framework (IPPF) promulgated by The Institute of Internal Auditors and principles of the Internal Audit Charter that provides for its independence function. The GIA reports directly to the AC, and is independent of the activities it audits.

The Company has an adequate internal audit resources to assist the AC and the Board in maintaining an effective system of internal control and overall governance practices within the Company and Group. To enable continuous provision of value-added services to the Group, GIA personnel had attended various trainings and conferences organised by professional associations such as the Institute of Internal Auditors Malaysia (IIAM) and the Malaysia Institute of Accountants (MIA) to enhance their knowledge, leadership and communications skills.

Total manpower strength of 10 auditors have been allocated to perform the audit of Heavy Industries Division during the year. The audit teams have conducted 20 assignments in 2018 based on the approved annual audit plan that covered a wide range of operational areas with emphasis on high risk areas. The corresponding audit reports were presented to the Audit Committee for attention, deliberation and corrective actions.

During the financial year, the GIA function had undertaken the following activities:

- Prepared the annual audit plan for approval by the AC.
- Performed risk based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports.
- Undertook ad-hoc reviews and investigations on matters arising from the audits and/or requested by the Management and/or AC and issued reports accordingly to the Management.
- 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 Management Audit Committee on significant risk management, control and governance issues from the internal audit reports issued, the results of investigations and special reviews undertaken and the results of follow-up of matters reported.
- Reported on a quarterly basis to the AC the achievement of the audit plan and status of resources of the GIA function.
- Liaised with the External Auditors to maximise the use of resources and for effective coverage of the audit risks.
- Reviewed the procedures relating to related party transactions.

The Group, including its associates, has incurred approximately RM472,000 fee (inclusive of any applicable tax) for internal audit activities in respect of the financial year ended 31 December 2018 (2017: RM491,000).

CORPORATE GOVERNANCE OVERVIEW STATEMENT



This Corporate Governance Overview Statement sets out the principal features of Boustead Heavy Industries Corporation Berhad (BHIC or the Company) and its subsidiaries (collectively referred to as the Group) corporate governance approach, summary of corporate governance practices during the financial year as well as key focus areas and future priorities in relation to corporate governance. The Corporate Governance Overview Statement is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) and guidance was drawn from Practice Note 9 of MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Securities Berhad (Bursa Malaysia).

The Corporate Governance Overview Statement is augmented with a Corporate Governance Report, based on a prescribed format as enumerated in paragraph 15.25(2) of the MMLR so as to provide a detailed articulation on the application of the Group's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance (MCCG). The Corporate Governance Report is available on the Group's website, <http://www.bhic.com.my> as well as via an announcement on the website of Bursa Malaysia.

This Corporate Governance Overview Statement should also be read in tandem with the other statements in the Annual Report namely Statement on Risk Management and Internal Control and Audit Committee Report.

CORPORATE GOVERNANCE APPROACH

The Board of Directors (Board) of BHIC is committed towards reinforcing its market position in the heavy industry sector, whilst remaining true to the Group's well-established corporate governance philosophies which are ingrained in the Group's core values, namely, **Belonging, Honour, Integrity** and **Commitment**. The Board believes that a robust and dynamic corporate governance framework is essential to form the bedrock of responsible and responsive decision making in the Group.

The Group's overall approach to corporate governance is to:

- promote heightened accountability at the leadership level (Board and Senior Management);
- adopt the substance behind corporate governance enumerations and not merely in form;
- conduct a thorough debate and rigorous enquiry process before establishing corporate governance systems, policies and procedures;
- identify opportunities to drive the synergistic implementation of corporate governance systems, policies and procedures for improved strategic and operational decision making; and
- find a balance in meeting the expectations of the different groups of stakeholders of the Group.

Given that the Board forms the pivot of good corporate governance, the Board steers efforts to promote meaningful and thoughtful application of good corporate governance practices. The Group regularly reviews its corporate governance arrangements and practices to ascertain if they reflect prevailing norms, market dynamics, emerging trends, developments in the regulatory tapestry and evolving stakeholder expectations.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

In manifesting the Group's commitment towards sound corporate governance, the Group has benchmarked its practices against the relevant promulgations as well as other better practices.

BHIC has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2018 except:

- Practice 4.1 (Board to comprise at least half Independent Directors);
- Practice 4.5 (Board to comprise 30% women Directors);
- Practice 4.7 (Nominating Committee Chairman is an Independent Director or the Senior Independent Director)
- Practice 6.1 (Remuneration Policy for Directors and Senior Management)
- Practice 7.2 (Disclosure of the top five senior management personnel's remuneration on a named basis in bands of RM50,000); and
- Practice 11.2 (Adoption of integrated reporting).

However, BHIC has applied Practice 4.1 of the MCCG, following the appointment of Puan Rozi Baharudin on 2 January 2019. In addition, BHIC also has applied Practice 4.7 following the appointment of Dato' Ishak Osman as Chairman of the Nominating Committee effective from 20 February 2019.

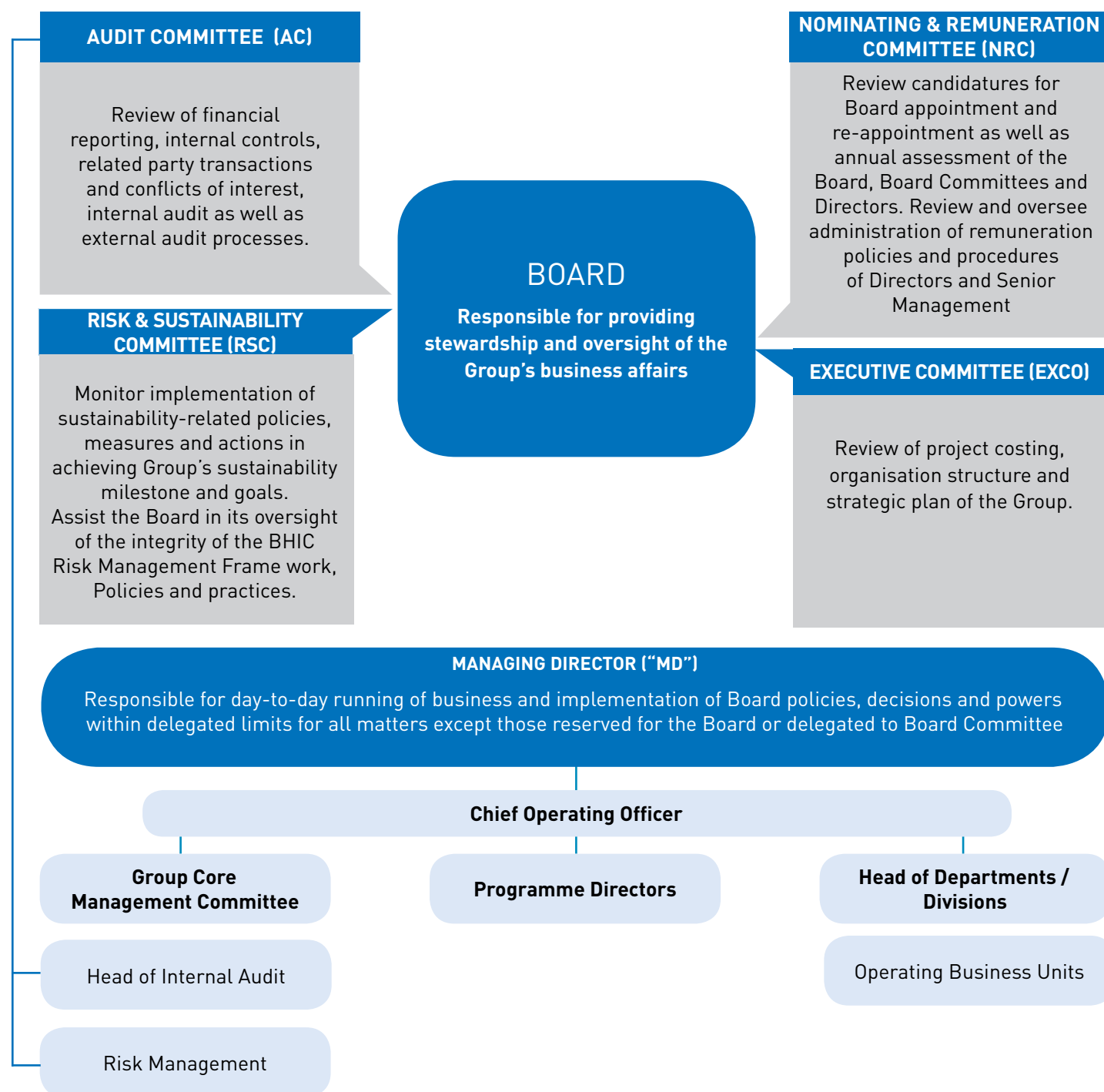
In line with the latitude accorded in the application mechanism of MCCG, the Company has provided forthcoming and appreciable explanations for the departures from the said practices supplemented with a description on the alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the application of each individual Practice of MCCG are available in the Corporate Governance Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A summary of the Group's corporate governance practices with reference to the MCCG is described below.

BOARD'S ROLES AND RESPONSIBILITIES

The Board is responsible for the corporate governance practices of the Group. Being at the helm of the Group, the Board governs the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.



As depicted in the above illustration, Board Committees have been established to assist the Board in its oversight function with reference to specific responsibility areas. However, it should be noted that the Board retains collective oversight over the Board Committees at all times. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Group is in adherence with good corporate governance.

The Board has formalised a Board Charter which sets out the ethos of the Group, structure and authority of the Board. The Board Charter is primary document that elucidates on the governance of the Board, Board Committees and individual Directors. The Board Charter is made available on the Group's website, <http://www.bhic.com.my> and was last reviewed on 15 February 2018.

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. During the year, the Board has deliberated on business strategies and critical issues concerning Boustead Group, including business plan, annual budget, significant acquisitions and disposals, financial results as well as key performance indicators. The attendance of individual Directors at Board and Board Committees meetings during the financial year 2018 is outlined below:

Director	Board	AC	NC	RC
Executive Director				
Tan Sri Dato' Seri Lodin Wok Kamaruddin *	4/4			1/1
Tan Sri Dato' Seri Ahmad Ramli Hj Mohd Nor	4/4			
Non-Independent Non-Executive Director				
Datuk Azzat Kamaludin	4/4	4/4	1/1	
Independent Non-Executive Director				
Abd Malik A Rahman	4/4	4/4	1/1	1/1
Dato' Ishak Osman	4/4	4/4	1/1	1/1
Rozi Baharudin **	Nil			

* Resigned from the Board on 31 December 2018

** Appointed with effect from 2 January 2019

	Board/Board Committee Chairman		Member
---	--------------------------------	---	--------

There is clear delineation of roles of the Board and Management. The MD is the conduit between the Board and the Management in driving the success of the Group's governance and management function. The MD manages and implements the Board's policies and decisions through the Group Core Management Committee.

In performing their duties, all Directors have access to advice and services of suitably qualified Company Secretaries. The Company Secretaries act as a corporate governance

counsel and ensures good information flow within Board, Board Committees and Senior Management. The Company Secretaries attend all meetings of the Board and Board Committees and advise the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, Capital Markets and Services Act 2007 (Amendment 2012) and MMLR. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

As Integrity is a core value of the Group, the Board is cognisant of its responsibility to set the ethical tone for Boustead Group. A Code of Ethics and Conduct and Whistleblowing Policy have been put in place to foster an ethical culture and allow legitimate ethical concerns to be escalated in confidence without risk of reprisal. The Code of Ethics and Whistleblowing Policy are reviewed periodically by the Board and published on the Group's website, <http://www.bhic.com.my>.

BOARD COMPOSITION

During the year under review, the Board comprised of 5 members, 2 of which are Independent Non-Executive Directors. Subsequently, Tan Sri Dato' Seri Lodin Wok Kamaruddin resigned from the Board on 31 December 2018 and Rozi Baharudin was appointed as Independent Director on 2 January 2019. With the resignation and new appointment, the current board composition comprised of 5 Directors, 3 of which are independent. The composition of the Independent Directors on the Board is in excess of the MMLR one third. The Board strives to ensure that it has an appropriate mix of skills, qualifications and experience to discharge its roles and responsibilities effectively based on the Group's nature of business. The Board, from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities.

Appointments to the Board are made via a formal, rigorous and transparent process, premised on meritocracy and taking into account objective criteria such as qualification, skills, experience, professionalism, integrity and diversity needed on the Board in the context of the Group's strategic direction. In the case of Independent Directors, the NC assesses the candidate's ability to bring the element of detached impartiality and objective judgment to boardroom deliberations.

The Board, with the assistance of the NC, regularly assesses the skills, experience, independence and diversity required collectively for the Board to effectively fulfill its roles. The Board was satisfied that there was mutual respect among Directors which contributed to a democratic environment so as to constructively deliberate and undertake a robust decision-making process.

The Board reviews its performance, and that of Board Committees and individual Directors on annual basis based on a set of predetermined criteria in a process that is facilitated by the NC. For year under review, the NC's key activity was to assess the overall Board and Board Committees' performance and effectiveness as a whole. The NC was satisfied that the Board and Board Committees' composition had fulfilled the criteria required, possess a right blend of knowledge, experience and mix of skills. In addition, the NC also recommended for the Board to endorse the re-election of the relevant Directors at the forthcoming Annual General Meeting (AGM).

In reviewing the independence of Independent Directors, the NC and Board adopt a qualitative approach in assessing if Independent Directors possess the intellectual honesty and moral courage to advocate professional views without fear or favour. The Board is cognisant of the rebuttable presumption that extended tenure leads to entrenchment and as such, the Board remains watchful for such indicators of entrenchment amongst long serving Independent Directors.

REMUNERATION

BHIC aims to set remuneration at levels which are sufficient to attract and retain high calibre Directors and Senior Management needed to run the business successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved.

As for oversight on remuneration matters, the Board has established a specialised Committee, namely RC which comprises a majority of Non-Executive Directors. The RC implements policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Senior Management.

A review on the quantum and composition of Directors and Senior Management's remuneration is undertaken no less than once every four years.

The details for the remuneration of Directors for the financial year ended 31 December 2018 for BHIC and its Group of companies are as follows:-

RM'000	Company	Group						
Directors	Fees	Fees	Salaries	Bonuses	EPF	BIK*	Allowances	Total
Executive Directors								
Tan Sri Dato' Seri Lodin Wok Kamaruddin <i>(Resigned wef 31 December 2018)</i>	90	135	-	-	-	-	10	145
Tan Sri Dato' Seri Ahmad Ramli Hj Mohd Nor	75	111	247	79	20	8	9	474
Sub Total	165	246	247	79	20	8	19	619
Non-Executive Directors								
Datuk Azzat Kamaludin	100	136	-	-	-	-	13	149
Dato' Ishak Osman	100	136	-	-	-	-	15	151
Abd Malik A Rahman	110	146	-	-	-	-	27	173
Rozi Baharudin <i>(Appointed on 2 January 2019)</i>	-	-	-	-	-	-	-	-
Sub Total	310	418	-	-	-	-	55	473
Grand Total	475	664	247	79	20	8	74	1,092

*Benefit in kind

AUDIT COMMITTEE

The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations. The AC also undertakes to provide oversight on the risk management framework of the Group.

The AC is chaired by an Independent Director who is distinct from the Chairman of the Board. All members of the AC are financially literate, whilst the Chairman of the AC is a member of the Malaysian Institute of Accountants. The AC has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the AC. The role of the AC and the number of meetings held during the financial year as well as the attendance record of each member are set out in the AC Report in the Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group's strategies and decision making. The Group has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy. The Group, through the Risk Management Department (a Management-level Committee), maintains detailed risk registers which are reviewed and updated on quarterly basis. Key focus areas of risks are reported and deliberated at the AC meetings.

The Board has established a Risk & Sustainability Committee to assist the Board in its oversight of the integrity of the BHIC Risk Management Framework, Policies and practices,

The internal audit function is carried out by an in-house Group Internal Audit (GIA) of Boustead Holdings Berhad. The GIA function reports directly to the AC, and is independent of the activities it audits. GIA's authority, scope and responsibilities are governed by an Internal Audit Charter which is approved by the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Further information on the Group's risk management and internal framework is made available on the Statement of Risk Management and Internal Control of the Annual Report.

COMMUNICATION WITH STAKEHOLDERS

The Group is fully committed to maintain a high standard for the dissemination of relevant and material information on the development of the Group. The Group also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders and stakeholders. Key shareholder and stakeholder communication modes include Annual Report, quarterly results analyst briefings, announcement to Bursa Malaysia, Sustainability Report, corporate website and investor relation activities.

The Group's investor relations activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two-way communication.

Contact for enquiries regarding investor relation matters of the Group: investor_inquiry@bhic.com.my.

CONDUCT OF GENERAL MEETINGS

The Group is of the view that General Meetings are important platforms to engage with its shareholders as well as to address their concerns. During the immediate preceding 3 years, all Directors were present at the AGM to answer questions raised by shareholders. The Chairman, MD and Chairmen of Board Committees will provide written answers to any significant question that cannot be readily answered. The Group encourage shareholders to attend and participate in the AGM by providing adequate advance notice and holding the AGM at a readily accessible location. The location of the AGM is customarily nestled in Klang Valley, which is reflective of the shareholders' geographical dispersion.

FOCUS AREAS ON CORPORATE GOVERNANCE

The Board is committed towards continuous enhancement of governance practices throughout the Group. In 2018, the Group has undertaken the following activities:-

NOTICE OF AGM

Date : 23 April 2019

Venue: **Royale Chulan Damansara,
Petaling Jaya**

- **28 days' notice**
- **Ample parking space**
- **Walking distance from Mutiara Damansara Mass Rapid Transit (MRT) station**

Board Effectiveness Evaluation

MCCG stipulates that a formal and objective annual evaluation should be conducted to determine the effectiveness of the Board. To achieve this, during the year under review, the Board engaged an external consultant to facilitate a Board Effectiveness Evaluation exercise. The evaluation covered 3 key areas i.e. Board structure, Board responsibilities and Board operations. Questionnaires were circulated as well as individual interviews held with the Directors and key Senior Management to gather significant insight and feedback. The Board will use the recommendations highlighted in the report as part of an ongoing process to enhance Board effectiveness and efficiency.

Professional Development of Directors

During the year under review, Directors were accorded with a host of opportunities to develop and maintain their skills and knowledge. Directors attended various training programmes to keep themselves abreast of changes in legislative promulgations and industry practices. The Board, through the NC was satisfied with the type of programmes attended by each Director during the year to enhance their knowledge and performance.

The list of training programmes that were attended by the Board members are outlined below:

Name	Programme title and Organiser	Date(s)
Non-Independent Non-Executive Directors		
TAN SRI DATO' SERI LODIN WOK KAMARUDDIN <i>(Resigned w.e.f. 31 December 2018)</i>	World Capital Markets Symposium Kuala Lumpur - Renaissance of Capitalism: Markets for Growth by Securities Commission	6 February 2018
	Win the innovation race: Unlocking the creative power of Asians" by Professor Roy by FIDE Forum	6 June 2018
TAN SRI DATO' SERI AHMAD RAMLI HJ MOHD NOR	Board Induction session by Affin Bank Berhad	23 March 2018
	The Malaysian Shipbuilding / Ship repair Industry 4.0 Awareness Forum by MIGHT	3 April 2018
	Busatra programme - Board Committees - Disclosure Framework & Key Activities by Affin Bank Berhad	13 April 2018
	CIISS International Conference on Belt & Road Initiatives 2018: Turning Risks of Conflict in the Region into Opportunities for Cooperation" by MIMA	26 – 27 April 2018
	Blockchain in Financial Services Industry by FIDE Forum	17 July 2018
	Malaysian Technical Cooperation Programme 2018 by MIMA	6 August 2018
	Wilayah Perak Selatan Investor and Stakeholder LAB by Perbadanan Kemajuan Negeri Perak	3 September 2018
	5th National Marine Industry Forum by AMIM	7 November 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name	Programme title and Organiser	Date(s)
Non-Independent Non-Executive Director		
DATUK AZZAT KAMALUDIN	Khazanah Megatrends Forum 2018	8 & 9 October 2018
Independent Non-Executive Directors		
ABD MALIK A RAHMAN	Managing Cyber Risks in Financial Institutions by FIDE Forum/Bank Negara Malaysia	22 January 2018
	Regulatory Compliance Challenges for Financial Planning/ Financial Advisor Firms & Licensed Representative by FPAM/CMDF	25 January 2018
	30% Club Business Leaders Roundtable Meeting with top200 PLC's by 30% Club/Securities Commission	5 March 2018
	Y-E-S! The Feng Shui of Money - Managing Cash Flow to build Wealth by FPAM	10 March 2018
	5th BNM-FIDE Forum Annual Dialogue with Deputy Governor by FIDE Forum	19 April 2018
	My Estate: Administration of an Estate/Trust and Planning for the next Gen\$ by PFAM	18 August 2018
	International Professional Practices Framework for Audit Committee by Bursa Malaysia/IIAM	28 August 2018
	Battling Money Laundering & Terrorism Financing in Malaysia – Refresher by Affin Hwang Capital/Sheila Hussain Vijay & Partners	6 September 2018
	Financial Planning : Aging Well Financially & Growing Old with Dignity - PFAM	29 September 2018
	Launch of Institute of Corporate Directors, Malaysia by Securities Commission	1 October 2018
	MIA International Accountants Conference 2018 - "Riding the Digital Wave, Leading Transformation" by MIA	9 & 10 October 2018
	Green Financing: Funding Green Projects through The Islamic Capital Market by Securities Commission/ Capital Markets (M) Sdn Bhd	17 October 2018
	Affin Hwang Capital Conference Series 2018 : Rebuilding A New Malaysia by Affin Hwang Capital	8 November 2018
DATO' ISHAK OSMAN	Breakfast Series - Companies of The Future - The Role for Boards"	4 December 2018
	Regulatory Updates Seminar for Directors 2018	5 December 2018
ROZI BAHARUDIN (Appointed on 2 January 2019)	NIL	NIL

CORPORATE GOVERNANCE PRIORITIES (2019 AND BEYOND)

The Board recognises that there are always opportunities for improvement in its corporate governance activities in order for the Group to continue to engender trust and confidence amongst stakeholders. The Board has identified the following set pieces on its horizon that will help it to achieve its corporate governance objectives.

**YEAR
2020**



2022

Board diversity

In fostering gender diversity, the Board endeavours to establish and formalise a diversity policy, set targets, measures and annually assess both the targets and the progress in achieving them.

Sustainability reporting

BHIC aims to leverage on its existing qualitative sustainability indices and adopt a more mature form of sustainability reporting. The Board will set the direction for Management to establish necessary systems and controls with the presence of quality non-financial data that will support the development of such forms of reporting. BHIC will also actively engage stakeholders to formalise a better understanding of what is expected and desired from its sustainability reporting.

STATEMENT ON RISK MANAGEMENT & **INTERNAL CONTROLS**



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 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.

ACCOUNTABILITY OF THE BOARD

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

The Board has set tone and direction for effective risk management and internal control by regularly reviewing the adequacy and integrity of these systems. The internal control of joint ventures are not regularly reviewed as the Board does not have direct control over their operations. However, the Group's interests are served through representation at the Boards of the respective companies, receipt and review of the management accounts and enquiries thereafter. Such representation also provides the Board with information for timely decision making. The representatives report to the Board if the joint ventures do not appropriately manage significant risks.

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

INTERNAL CONTROLS

RISK MANAGEMENT FRAMEWORK

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 to.

The Group adopts ISO 31000:2009 Risk Management – Principles and Guidelines outline as a primary foundation and reference for the Enterprise Risk Management ("ERM") framework. The Group aims to attain a common understanding, effective ERM implementation and practices across the Group through this standard guideline. Simultaneously, the adopted framework facilitates the Management in making sound business decisions with the aspiration to lead the Group towards a more proactive and inclusive risk management approach to mitigate risks and capitalise on opportunities. The guiding principles, key structural elements of risk management practices and activities of BHIC Group includes the following:

1. Demonstrating how risk management is embedded in BHIC Group's organisational systems to ensure it is integrated at all levels. 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 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 that organisational objectives are met; and
4. Improve BHIC Group's governance model through resilient leadership, responsible & ethical decision making, management & accountability and performance improvement.

ENTERPRISE RISK MANAGEMENT

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

Throughout the year, GRMD conducted series of risk register validation exercise by engaging the Business and Functional Units. The objective of risk register validation exercise is to review the adequacy of risk assessment exercises, highlighting potential emerging risks and review status of action plan undertaken by the Business & Functional Units.

PROJECT RISK MANAGEMENT

Project Risk Management is frequently overlooked yet is one of the most critical elements to successful project delivery. Generally, a successful project is measured based on timely delivery, meeting the quality expectation and within budgeted costs. GRMD had put in place Project Risk Management Plan Preparation Procedure to guide Business Units to perform project risk assessment whenever undertaking new projects.

To strengthen these practices, GRMD has conducted a series of Project Risk Management Workshop and was involved in the Project Risk Assessment Workshop. For example, GRMD involved in KD TUN RAZAK REFIT Programme's Project Risk Assessment Workshop in Boustead DCNS Naval Corporation Sdn Bhd (BDNC).

In addition, GRMD assessed the yard for the readiness of the construction of the Littoral Mission Ship (LMS) 3 & 4 in Malaysia. The purpose of this exercise is to identify and mitigate potential risks which may impact the project deliverables. In addition, GRMD also initiated and facilitated the Littoral Combat Ship (LCS) Programme Review and Strategic Direction Meeting and Dialogue with the stakeholders deliberating on the risk issues, project governance and operational matters.

GRMD continues to perform an oversight role and periodical review on project-related risks. The Group will actively enhance and improve on its risk management practices, to be consistent with good corporate governance, in achieving the above-mentioned objectives.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

INTENSIFY RISK MANAGEMENT AWARENESS, COMPLIANCE AND PRACTICES

During the year, GRMD has conducted risk management awareness, trainings and workshops to several Business Units to enhance their knowledge and practices of risk management from a strategic, planning, and operational perspective.

GRMD has continuously embarked on risk awareness training programme to the Risk Managers, staff and new intakes within BHIC Group. In 2018, series of training and awareness have been conducted with the Risk Managers / representatives from various Business Units under BHIC Group as well as new intakes and external audience. Trainings conducted for BDNC and BHIC Defence Techservices Sdn Bhd (BDTS) encompasses aspects on Enterprise Risk Management (ERM), Project Risk Management (PRM), Audit and Compliance and Business Continuity Management (BCM).

GRMD in collaboration with BHIC Marine Technology Academy Sdn Bhd (MTA) has conducted 5 days risk management training to the Royal Malaysian Navy (RMN)'s officers at MTA, Lumut. The 5 days training comprised of awareness, methodology and practical training on ERM, BCM and PRM. The objective of the training is to provide knowledge sharing with the RMN on risk management framework, methodologies, policies and practices at BHIC. This has also improved mutual business relation between BHIC and RMN in sharing risk management and industrial practices of which GRMD received positive feedback from the participants.

GRMD conducted a 1-day training to Skim Latihan 1 Malaysia (SL1M) Engineering Apprentice Programme (EAP) trainees. The main purpose of the training is to educate and equip the BHIC SL1M EAP trainees with knowledge on risk management framework, methodologies, policies and practices adopted by BHIC Group.

BUSINESS CONTINUITY MANAGEMENT

BUSINESS CONTINUITY, DISASTER RECOVERY AND RESILIENCY

The Group is exposed to various types of operational issues including natural and technological disasters.

The Group had adopted ISO 22301: 2012 - Societal security -- Business continuity management systems -- Requirements to strengthen its business operational resilience.

BCM covers various angle of business discipline consists of Emergency Response Plan (ERP), Crisis Management Plan, Business Continuity Plan (BCP) and Information Technology Disaster (ICT-DR) Recovery Plan.

EXPANSION OF BUSINESS CONTINUITY MANAGEMENT PROGRAMME

Following first pilot BCM programme in Boustead Naval Shipyard Sdn Bhd (BNS) in 2017. Business Continuity Management Programme has been extended to Boustead Penang Shipyard Sdn Bhd (BPS) and Boustead Langkawi Shipyard Sdn Bhd (BLS). Business Continuity Management Committee has been established in BPS and BLS to drive the BCM programme at the respective yards.

The effort continued with Emergency Response Review Workshop conducted with senior management and HSE team of BLS in identifying measures to improve on ERP governance, processes and incident management.

Moving forward, GRMD will continue to expand the BCM Programme to the Business Units and conduct periodical exercise, simulation and review of the BCM Programme to ensure that the programme remain current and enhanced the business and operational resiliency.

ENHANCED EMERGENCY RESPONSE

Emergency Response Plan (ERP) for Fire and Flooding on Board of RMN's Ship have been enhanced and satisfactorily tested at BNS. On 20 September 2018, BNS in collaboration with the RMN has conducted a fire drill simulation exercise on KD LEKIR, at its Lumut yard. The main objective of the simulation exercise is to ensure and measure the effectiveness of the ERP, readiness of the Emergency Response Team (ERT) and effectiveness of the Incident Command System to manage emergency situation.

IMPROVED BUSINESS AND OPERATIONS RESILIENCY

Business Continuity Management Programme at BNSSB has reached to the next level. GRMD had conducted a 2-days Business Continuity Plan (BCP) Workshop with BCP Coordinators at BNS attended by senior management from respective departments. This workshop provides exposure to BNSSB Senior Management and BCP Coordinators on the importance, methodologies and processes in establishing BCP for department / unit in BNS. As a result, all Departments and units of BNS has documented and established structured BCP that covers a variety of disruptive events and potential impacts.

ICT DISASTER RECOVERY

Business in this millennium depends on ICT technology, hence it is important to ensure that ICT assets are in the best possible condition in ensuring efficiency and effectiveness in business and operations management. The Group has embarked on the development of ICT Disaster Recovery Plan for critical systems and servers. Dedicated ICT Disaster Recovery Team, processes and procedures have been established in managing ICT Disruption and threats.

HEALTH, SAFETY & ENVIRONMENT

HSE COMMITMENT AND IMPLEMENTATION

In line with Group Health, Safety and Environment (HSE) Policy Statement, BHIC is committed to uphold the highest standards of health and safety of our employees and contractors as well as to the protection of its environment when conducting its activities. BHIC Group is committed to take practicable steps to prevent or eliminate injuries, occupational illnesses and damages to the properties. GRMD had reviewed documentation on HSE governance, policy, processes and controls for all Business Units. The objective is to review the adequacy of HSE Management System and SOP's comply with Occupational Safety and Health Act 1994, Factories and Machinery Act 1967 and Environmental Quality Act 1974. It also serves the purpose to identify internal and external HSE compliances and control matters.

GRMD had assessed the requirement and adequacy of HSE competent personnel at all levels of business units in order to achieve high standards on HSE supervision, implementation and excellent safety culture. GRMD had continuously monitored HSE performances at Business Units including its safe manhours, number of incident/accidents recorded, HSE inspection, HSE training & awareness.

All Business Units are required to take proactive measures to prevent emergencies and incidents, respond in a timely manner, learn from the incidents and improve its readiness. In this regard, GRMD maintains an effective communication with all our Business Units in monitoring all HSE aspects in the projects and operations.

RISK GOVERNANCE AND REPORTING

As part of enhancing the risk and corporate governance within the Group, the Group Core Management Committee has resolved that Business Units shall present their risk profiles and status of audit findings during the respective Business Units' Board of Directors (Board) Meetings. The objective is to enhance the Board oversight on respective Business Unit risk profiles and Boards' directions on the key risk and audit areas.

Audit matters and compliances are being emphasised throughout the Group as part of a comprehensive exercise of risk management. Audit follow-up and resolution exercises are being consistently conducted to all Business Units together with the implementation of Non-Conformance Report. Several audit follow-up meetings were held with the Business and Operational Units based on the severity of audit findings. The objectives are to manage and coordinate the common elements of compliance for better efficiencies, consistency, reliability and assurance which also increases stakeholders' confidence in BHIC Group. Audit matters are updated and escalated to BHIC Senior Management, BHIC Group Core Management Committee and BHIC Board of Audit Committee.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

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) and Finance Committee to provide assistance in the management of the Group. The ExCo comprising of the Chairman of BHIC's Board, Managing Director and the Chairman of the Board of Audit Committee whilst the Finance Committee consist the similar member as ExCo with a presence of BHIC's Chief Financial Officer. Both committees meet regularly to consider, resolve, manage strategic and business issues that the Group faces. However, on 20 February 2019, the Board had decided to merge both committees into ExCo.

The Board convene meetings at least 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' performances, identify & manage principal risks effectively, review the adequacy & integrity of internal controls and management information systems, develop & 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 all internal and external 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 and review of half yearly 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 currently in place ensure timely and relevant two-way communication of information, which the Board believes promotes a dynamic and effective control structure. The Group's senior management also conducted annual '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 observe 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 Transformation and Continuous Improvement Unit of Group Strategic Planning and Transformation 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.

On 8 January 2018, Boustead Group signed a corruption-free pledge, organised by Boustead Holdings Berhad (Boustead Group) which was attended by the Board of Directors of Boustead Group, Directors of its subsidiaries and approximately 500 employees across the Boustead Group in the presence of YBhg Dato' Shamsun Baharin Mohd Jamil, Deputy Chief Commissioner (Prevention) from the Malaysian Anti-Corruption Commissioner (MACC). This underscored our support to MACC's call to combat corruption and create a fair, transparent and corruption-free working environment.

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 in place a Policy Manual and Limits of Authority approved by the Board 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 and vendor development 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:

- Division, 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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

- **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 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 RM472,000 (inclusive of the Goods and Services Tax) for internal audit activities in respect of the financial year ended 31 December 2018.

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 Audit and Assurance Practice Guide ("AAPG") 3 (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 2018, 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.

AAPG 3 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 respect of the financial year ended 31 December 2018 and in accordance with a resolution of the Board of Directors dated 11 March 2019.

DIRECTORS' RESPONSIBILITY STATEMENTS



The Directors reaffirm that they are collectively responsible for ensuring that the annual financial statements of the Group and the Company are drawn up in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act 2016 and the Listing Requirements of Bursa Securities; and that these financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group for the financial year ended 31 December 2018.

To ensure that financial statements are properly drawn up, the Directors have taken the following measures:

- 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 2016. 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.

ADDITIONAL COMPLIANCE INFORMATION



NON-AUDIT FEES

	Group RM'000	Company RM'000
Non-audit fees paid to the external auditors for the financial year ended 31 December 2018	16	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.

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 11 April 2018, the Company obtained 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 2018 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 Ahmad Ramli Haji Mohd Nor	Provision of shipbuilding, ship repair works and provision of related services by Boustead Penang Shipyard Sdn Bhd	97,549
	Tan Sri Dato' Seri Lodin Wok Kamaruddin*	Provision of ship repair works and related services by BHIC Defence Techservices Sdn Bhd	4,025
	Datuk Azzat Kamaludin	Provision of ship repair works and related services by BHIC Allied Defence Technology Sdn Bhd	740
	Boustead Holdings Berhad	Provision of ship repair works and related services by BHIC Bofors Asia Sdn Bhd	188
	Lembaga Tabung Angkatan Tentera	Sale of equipment and machinery for ship related activities by Dominion Defence and Industries Sdn Bhd	179
		Provision of ship repair works and related services by BHIC Navaltech Sdn Bhd	22,314
		Provision of ship repair works and related services by BHIC Electronics and Technologies Sdn Bhd	103
		Provision of ship repair works and related services by BHIC MSM Sdn Bhd	127
		Provision of ship repair works and related services by Contract Advanced Devices Sdn. Bhd	165
		Purchase of materials/consumables in relation to ship repair works and related services by BHIC Defence Techservices Sdn Bhd	(77)

*Director until 31 December 2018

RECURRENT RELATED PARTY TRANSACTIONS

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transaction	Value of Transaction RM'000
Boustead Naval Shipyards Sdn Bhd (Cont'd.)	Boustead Holdings Berhad Tan Sri Dato' Seri Lodin Wok Kamaruddin* Lembaga Tabung Angkatan Tentera	Purchase of materials/consumables in relation to ship repair works and related services by BHIC Navaltech Sdn Bhd	(38)
		Provision of subcontracting work on engineering of SETIS combat management system and integration of combat system equipment by Contraves Advanced Devices Sdn Bhd	284,406
		Rental of premises by Boustead Penang Shipyards Sdn Bhd	(1,039)
		Rental of premises by BHIC Bofors Asia Sdn Bhd	(360)
		Rental of premises by BHIC MSM Sdn Bhd	(189)
		Provision of training services by BHIC Marine Technology Academy Sdn Bhd	47
		Rental of premises from Contraves Advanced Devices Sdn Bhd	1,400
		Rental of premises by BHIC Defence Techservices Sdn Bhd	(372)
		Rental of premises by BHIC Marine Technology Academy Sdn Bhd	(108)
		Rental of premises by BHIC Allied Defence Technology Sdn Bhd	(39)
Boustead Holdings Berhad	Lembaga Tabung Angkatan Tentera Tan Sri Dato' Seri Lodin Wok Kamaruddin*	Provision of training, management and related services to Boustead Heavy Industries Corporation Bhd.	(585)

*Director until 31 December 2018

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transaction	Value of Transaction RM'000
Boustead Travel Services Sdn Bhd	Boustead Holdings Berhad Tan Sri Dato' Seri Lodin Wok Kamaruddin* Lembaga Tabung Angkatan Tentera	Provision of transport and travel related services to BHIC Bofors Asia Sdn Bhd	(197)
		Provision of transport and travel related services to Boustead DCNS Naval Corporation Sdn Bhd	(1,592)
		Provision of transport and travel related services to Boustead Penang Shipyard Sdn Bhd	(117)
		Provision of transport and travel related services to BHIC Defence Techservices Sdn Bhd	(133)
		Provision of transport and travel related services to BHIC Navaltech Sdn Bhd	(26)
		Provision of transport and travel related services to BHIC AeroServices Sdn Bhd	(2)
		Provision of transport and travel related services to BHIC Submarine Engineering Services Sdn Bhd	(452)
Boustead Realty Sdn Bhd	Boustead Holdings Berhad Tan Sri Dato' Seri Lodin Wok Kamaruddin* Lembaga Tabung Angkatan Tentera	Rental of premises by Boustead Penang Shipyard Sdn Bhd (Property to be rented by Boustead Penang Shipyard Sdn Bhd comprises of office space located at Menara Boustead Penang, 39 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang)	(116)
		Rental of premises by BHIC Submarine Engineering Services Sdn Bhd (Property to be rented by BHIC Submarine Engineering Services Sdn Bhd comprises of office space located at Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur)	(130)

*Director until 31 December 2018

FINANCIAL STATEMENTS

Directors' Report	69
Statement by Directors	76
Statutory Declaration	76
Independent Auditors' Report	77
Statements of Profit or Loss	83
Statements of Comprehensive Income	84
Statements of Financial Position	85
Statements of Changes in Equity	87
Statements of Cash Flows	89
Notes to the Financial Statements	91

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 2018.

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.

RESULTS

	Group RM'000	Company RM'000
Loss net of tax	(108,326)	(14,053)

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.

DIVIDEND

The directors have declared the following dividend in respect of the financial year ended 31 December 2018:

	Net dividend sen per share	RM'000	Date declared	Date of payment
Single tier first interim dividend	1.5	3,727	21 August 2018	15 November 2018

The directors do not propose the payment of any final dividend for the current financial year.

DIRECTORS' REPORT

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin* (Resigned on 31 December 2018)
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)*
Datuk Azzat Bin Kamaludin*
Dato' Ishak Bin Osman*
Abd Malik Bin A Rahman*
Rozi Binti Baharudin (Appointed on 2 January 2019)

* These directors are also directors of the Company's subsidiaries

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Laksamana Tan Sri Ramlan Bin Mohamed Ali (B)
Laksamana Madya Dato' Seri Panglima Mohammed Noordin Bin Ali (B)
Laksamana Muda Dato' Musa Bin Omar (B)
Mejar Jeneral Dato' Mohd Bin Sulong (B)
Mejar Jeneral Dato' Che Yahaya Bin Idris (B)
Mejar Jeneral Dato' Ahmad Rodi Bin Zakaria (B)
Datuk Engku Zainal Abidin Bin Engku Ngah
Dato' Mohammad Bin Nik
Komander Dato' Abdul Rahman Bin Husain (B)
Ahmad Nordin Bin Mohammad
Ir. Ee Teck Chee
Ir. Azman Bin Ahmad
Ir. Sukhdev Singh A/L Khazan Singh
Ir. Azhar Bin Jumaat
Siti Na'im Binti Jamaluddin
Zainal Abidin Bin Ahmad
Mohamed Bin Ithnin
Fakril Zamani Bin Mahmud
Azlin Azura Binti Maarof
Azhar Bin Abdullah
Mohd Fakhrul Arifin Bin Adinan
Arifin Bin Rahmat (Appointed on 17 August 2018)
Syahida Binti Abdul Kadir (Appointed on 31 August 2018)
Annuar Faisal Bin Yusuf (Appointed on 1 September 2018)
Komander Jal Shazidi Bin Bassari (B) (Appointed on 14 November 2018)
Fahmy Bin Ismail (Appointed on 26 February 2019)
Azlinda Binti Ahmad Zainal (Resigned on 6 March 2018)
Dato' Abu Jimi Bin Samat (Resigned on 29 June 2018)
Dato' Haji Din Bin Adam (Resigned on 1 July 2018)
Datuk Mohd Razlan Bin Muhammad Rafii (Resigned on 1 July 2018)
Khalid Bin Mohd (Resigned on 31 August 2018)

DIRECTORS' REPORT

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 35 to the financial statements.

The directors' benefits are as follow :

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive directors' remuneration:				
Fees	246	246	165	165
Salary	247	235	247	235
Allowances	19	17	13	11
Bonus	79	75	79	75
Defined contribution plan	20	19	20	19
Benefit in kind	8	8	8	8
	619	600	532	513
Non-executive directors' remuneration:				
Fees	418	418	310	310
Allowances	55	61	46	49
	473	479	356	359
Total directors' remuneration	1,092	1,079	888	872

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains on a Group basis, a Directors' and Officers' Liability Insurance for any legal liability incurred by the directors and officers in the discharge of their duties while holding office for the Group and the Company. In respect of the above, the total amount of insurance premium paid for the financial year ended 31 December 2018 was RM55,000. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' REPORT

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:

	←----- 1.1.2018	Number of ordinary shares Bought	Sold -----→	31.12.2018
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
Dato' Ishak Bin Osman	10,000	-	-	10,000
Abd Malik Bin A Rahman	3,000	-	-	3,000
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
Immediate holding company				
Boustead Holdings Berhad ("BHB")				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	52,257,805	-	-	52,257,805
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	111,580	-	-	111,580
Datuk Azzat Bin Kamaludin	112,000	-	-	112,000
Abd Malik Bin A Rahman	6,580	-	-	6,580
Indirect interest:				
Abd Malik Bin A Rahman	13,580	-	-	13,580
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

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D.)

	←----- Number of ordinary shares -----→			
	1.1.2018	Bought	Sold	31.12.2018
Boustead Plantations Berhad				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	27,836,800	11,134,720*	–	38,971,520
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	1,150,000	460,000*	–	1,610,000
Datuk Azzat Bin Kamaludin	1,550,000	700,000*	–	2,250,000
Abd Malik Bin A Rahman	2,000	800*	–	2,800
Indirect interest:				
Abd Malik Bin A Rahman	2,000	800*	–	2,800
Boustead Petroleum Sdn. Bhd.				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	5,916,465	–	–	5,916,465
Affin Bank Berhad**				
Direct interest:				
Tan Sri Dato' Seri Lodin Bin Wok Kamaruddin	1,051,328	–	–	1,051,328
Abd Malik Bin A Rahman	13,000	–	–	13,000
Indirect Interest:				
Laksamana Madya Tan Sri Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (B)	25,000	–	–	25,000

* Increase pursuant to bonus shares issued on 2 May 2018 and/or additional shares purchase during the year

** Affin Bank Berhad assumed the listing status of Affin Holding Berhad on 2 February 2018

HOLDING COMPANY

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.

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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D.)

- (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 liabilities 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 2018 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 34 to the financial statements.

DIRECTORS' REPORT

AUDITORS

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

Auditors' remuneration are disclosed in Note 5 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 March 2019.

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

ABD MALIK BIN A RAHMAN

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

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 83 to 177 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows of the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 March 2019.

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

ABD MALIK BIN A RAHMAN

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

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 83 to 177 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 11 March 2019

AHMAD NORDIN BIN MOHAMMAD
(MIA 33503)

Before me,

HAJJAH JAMILAH ISMAIL
(No W626)
1-7-2018 to 31-12-2020
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Boustead Heavy Industries Corporation Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 83 to 177.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their 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 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. The key audit matters for the audit of the financial statements of the Group are described as below. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment assessment of investment in an associate

As at 31 December 2018, the Group's carrying amount of the investment in an associate is RM90.5 million as disclosed in Note 15 to the financial statements. The associate has reported losses and depleting shareholders' funds indicating that the investment in associate with a carrying amount of RM90.5 million may be impaired. Where such indication exists, MFRS 136: Impairment of Assets ("MFRS 136") requires an entity to estimate the recoverable amount of the asset.

MFRS 136 defines recoverable amount as the higher of an asset's or cash generating unit ("CGU")'s fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). VIU is the present value of future cash flows expected to be derived from an asset or a CGU. The discount factor to be applied to the future cash flows should reflect current market assessments of the time value of money and the risks specific to the asset.

Accordingly, the Group has performed impairment assessment by comparing the carrying amount of the investment in an associate to its respective recoverable amounts.

Given the significance of investment in an associate to the Group, the judgements and estimates involved in the assessment of the recoverable amount, we have identified the above impairment assessment as important to our audit.

Our procedures in reviewing the impairment assessment based on VIU inter alia the following:

- We have assessed the key assumptions on which the cash flow projections are based, amongst others and where relevant, by comparing them against historical trends, existing contracts, order book, useful lives of the assets and price forecasts. We also evaluated the probability of securing significant future contracts by making enquiries with the project teams and reviewing project proposals to obtain an understanding of the status of negotiations and the likelihood of securing the contracts; and
- We also assessed the discount rate used to determine the present value of the cash flows and whether the rate used reflects the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

Revenue recognition from long term and construction contracts

The Group is involved in a number of significant long term and construction contracts which span across multiple accounting periods as disclosed in Note 19 to the financial statements.

We have focused on this area due to the materiality to the overall results of the Group and also due to the nature of long term and construction contracts entered into by the Group which involves significant management judgement and estimation uncertainty.

The Group determines that its performance obligations are satisfied over time and thus recognises revenue from long term and construction contracts over time. The Group applies the input method by reference to the proportion of costs incurred for work performed to date to the estimated total costs to measure progress towards the satisfaction of performance obligation.

In relation to the budgeted revenue, we have, amongst others and where applicable, agreed this to the signed contracts, letter of awards, approved change orders and variation orders. We evaluated the additional revenue for change or variation orders to recover the additional costs incurred to supporting evidence including but not limited to correspondence with customers. We also assessed the probability of a deduction to budgeted revenue due to delays in delivery or other contractual penalties by reviewing the contractual delivery dates and other terms of the respective contracts against management's estimated delivery dates, progress reports, interviews with the project team and correspondences with customers.

In assessing management's assumptions in estimating the budgeted costs, we evaluate the budgeted costs to corresponding supporting evidence including but not limited to suppliers' contracts for materials and subcontractors' claims. We also reviewed management's computation of the progress towards the satisfaction of performance obligation.

Recognition of deferred tax assets

As at 31 December 2018, the carrying amount of deferred tax assets of the Group is RM21.3 million, as disclosed in Note 25 to the financial statements.

The recognition of deferred tax assets relies on the application of significant judgement and estimates by the management in assessing the likely timing and the level of future taxable profits, together with future tax planning strategies. Due to the significant judgement and estimates involved in determining the amount of deferred tax assets that can be recognized, this is considered a key audit matter.

Our audit procedures included, amongst others, evaluating the key assumptions used in the forecasts and projections of future taxable profits prepared by management. We also assessed whether the key assumptions on which the forecasts and projections are based are consistent with past actual outcomes.

We evaluated the disclosures on the judgements and estimates in relation to the recognition of the deferred tax assets which have been disclosed in Note 3 (iii) to the financial statements.

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises About Us, Core values, Our Vision and Mission, Our Core Business, Five-Year Financial Highlights, Corporate Information, Financial Calendar, Profile of Directors, Senior Management Team, Message From The Board, Managing Director's Statement, Audit Committee Report, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, Directors' Responsibility Statement, Additional Compliance Information, Recurrent Related Party Transactions, Statistics of Shareholdings, List of Top 30 Holders, List of Properties, Directors' Report, Statement by Directors and Statutory Declaration but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' responsibilities for the audit of the financial statements

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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

Kuala Lumpur, Malaysia

11 March 2019

Ahmad Zahirudin Bin Abdul Rahim

No. 02607/12/2020 J

Chartered Accountant

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	4	169,113	277,647	775	28,259
Operating costs	5	(199,320)	(246,297)	(3,826)	(5,561)
Results from operations		(30,207)	31,350	(3,051)	22,698
Interest income		164	786	-	-
Finance costs	8	(14,039)	(13,027)	(11,002)	(9,970)
Share of results of associates	15	(53,079)	6,119	-	-
Share of results of joint ventures	16	(7,454)	(13,458)	-	-
(Loss)/profit before tax		(104,615)	11,770	(14,053)	12,728
Income tax expense	9	(3,711)	(1,194)	-	-
(Loss)/profit net of tax		(108,326)	10,576	(14,053)	12,728
Basic/diluted (loss)/earnings per share attributable to shareholders of the Company (sen):					
	10	(43.60)	4.26		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year, net of tax	(108,326)	10,576	(14,053)	12,728

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Non-current assets					
Property, plant and equipment	11	50,326	55,528	7,936	8,382
Investment property	12	12,853	13,362	–	–
Intangible asset	13	–	–	–	–
Investments in subsidiaries	14	–	–	280,000	280,500
Investments in associates	15	90,525	143,604	–	–
Investments in joint ventures	16	93,380	91,338	–	–
Deferred tax assets	25	21,285	19,167	–	–
		268,369	322,999	287,936	288,882
Current assets					
Inventories	17	4,035	11,609	–	–
Trade and other receivables	18	278,031	229,276	75,146	51,907
Amount due from customers on contracts	19	–	37,739	–	–
Contract assets	19	2,341	–	–	–
Tax recoverable		10,588	13,262	–	–
Cash and bank balances	20	17,890	45,920	390	5,265
		312,885	337,806	75,536	57,172
Total assets		581,254	660,805	363,472	346,054

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

STATEMENTS OF FINANCIAL POSITION

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Equity and liabilities					
Equity attributable to shareholders of the Company					
Share capital	21	248,458	248,458	248,458	248,458
(Accumulated losses)/retained earnings		(15,843)	96,210	(102,750)	(84,970)
Total shareholders' funds		232,615	344,668	145,708	163,488
Non-controlling interests		–	–	–	–
Total equity		232,615	344,668	145,708	163,488
Non-current liabilities					
Loans and borrowings	23	5,137	6,399	–	–
Deferred tax liabilities	25	324	49	–	–
		5,461	6,448	–	–
Current liabilities					
Amount due to customers on contracts	19	–	28,944	–	–
Contract liabilities	19	22,572	–	–	–
Provisions	22	712	728	475	488
Loans and borrowings	23	268,454	221,418	213,500	170,000
Trade and other payables	26	51,331	53,630	3,789	7,109
Tax payable		109	–	–	–
Dividend payable		–	4,969	–	4,969
		343,178	309,689	217,764	182,566
Total liabilities		348,639	316,137	217,764	182,566
Total equity and liabilities		581,254	660,805	363,472	346,054

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to shareholders of the Company		
	Share capital	Distributable retained earnings/ (accumulated losses)	Total equity
	RM'000	RM'000	RM'000
Group			
At 1 January 2017	248,458	98,057	346,515
Total comprehensive income for the year	–	10,576	10,576
Transactions with owners			
Dividend (Note 27)	–	(12,423)	(12,423)
At 31 December 2017	248,458	96,210	344,668
At 1 January 2018	248,458	96,210	344,668
Total comprehensive loss for the year	–	(108,326)	(108,326)
Transactions with owners			
Dividend (Note 27)	–	(3,727)	(3,727)
At 31 December 2018	248,458	(15,843)	232,615

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

STATEMENTS OF CHANGES IN EQUITY

← Attributable to shareholders
of the Company →

	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
Company			
At 1 January 2017	248,458	(85,275)	163,183
Total comprehensive income for the year	–	12,728	12,728
Transactions with owners			
Dividend (Note 27)	–	(12,423)	(12,423)
At 31 December 2017	248,458	(84,970)	163,488
At 1 January 2018			
	248,458	(84,970)	163,488
Total comprehensive loss for the year	–	(14,053)	(14,053)
Transactions with owners			
Dividend (Note 27)	–	(3,727)	(3,727)
At 31 December 2018	248,458	(102,750)	145,708

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Cash receipts from customers		131,740	253,304	-	-
Cash paid to suppliers and employees		(166,723)	(183,814)	(3,162)	(2,955)
Net (payments to)/receipts from related companies		(1,065)	(1,679)	(25,972)	15,095
Net cash (used in)/generated from operations		(36,048)	67,811	(29,134)	12,140
Interest paid		(13,858)	(12,017)	(10,520)	(9,861)
Income taxes paid less refunds		(2,771)	(2,427)	-	-
Net cash (used in)/generated from operating activities		(52,677)	53,367	(39,654)	2,279
Cash flows from investing activities					
Interest received		164	786	11	39
Proceeds from disposal of property, plant and equipment		10	5	-	-
Purchase of property, plant and equipment	(a)	(516)	(2,048)	(36)	(4)
Investment in a joint venture company		(11,116)	(510)	-	-
Dividend received from joint ventures	16	1,620	1,530	-	-
Dividend from a subsidiary		-	-	-	35,000
Net cash (used in)/generated from investing activities		(9,838)	(237)	(25)	35,035
Cash flows from financing activities					
Dividends paid		(8,696)	(7,454)	(8,696)	(7,454)
Repayment of borrowings		(1,444)	(46,416)	-	(35,000)
Proceeds from drawdown of revolving credits		47,000	20,000	43,500	10,000
Net cash generated from/(used in) financing activities		36,860	(33,870)	34,804	(32,454)

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

STATEMENTS OF CASH FLOWS

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net (decrease)/increase in cash and cash equivalents		(25,655)	19,260	(4,875)	4,860
Effect of foreign exchange rate changes		(2,375)	2,413	–	–
Cash and cash equivalents at beginning of year		45,920	24,247	5,265	405
Cash and cash equivalents at end of year		17,890	45,920	390	5,265
Cash and cash equivalents at end of year comprise:					
Deposits with licensed banks	20	1,500	11,000	–	5,000
Cash and bank balances	20	16,390	34,920	390	265
Total cash and bank balance		17,890	45,920	390	5,265

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

		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash	(a)	516	2,048	36	4
Hire purchases		218	–	–	–
Total additions	11	734	2,048	36	4

The accompanying accounting policies and explanatory notes form an integral part of these 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.

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 2016 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.

NOTES TO THE FINANCIAL STATEMENTS

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 2018, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018.

- Amendments to MFRS 1 (First-time Adoption of Malaysian Financial Reporting Standards) (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2 (Share-based Payment) (Classification and Measurement of Share-based payment Transactions)
- MFRS 9 (Financial Instruments)
- MFRS 15 (Revenue from Contracts with Customers and Clarification to MFRS 15)
- Amendments to MFRS 140 (Investment Property) (Transfers of Investment Property)
- IC Interpretation 22 (Foreign Currency Transactions and Advance Consideration)
- Amendments to MFRS 128 (Investments in Associates and Joint Ventures) (Annual Improvements to MFRS Standards 2014-2016 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, except the following changes:

MFRS 9: Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139.

NOTES TO THE FINANCIAL STATEMENTS

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

2.2 Changes in accounting policies (cont'd.)

(i) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ("OCI"). The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and to the Company. The Group and the Company's trade and other receivables as at 31 December 2017 are classified and measured as debt instruments at amortised cost beginning 1 January 2018 as they are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

(ii) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. However, there is no effect from adopting MFRS 9 as at 1 January 2018.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedging accounting requirements under this Standard are not relevant to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

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

2.2 Changes in accounting policies (cont'd.)

MFRS 15: Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted MFRS 15 using the modified retrospective method of adoption with the initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial applications or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The effect of adopting MFRS 15 is, as follows:

Impact on the consolidated statement of financial position (increase/(decrease))

	Note	1 January 2018 RM'000
Current assets		
Amount due from customers on contracts	(a)	(37,739)
Contract assets	(a)	37,739
Current liabilities		
Amount due to customers on contracts	(a)	(28,944)
Contract liabilities	(a)	28,944

(a) Long term and construction contracts

Before the adoption of MFRS 15, construction contract revenue was recognised in accordance with MFRS 111 Construction Contracts, when the total 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. Under MFRS 15, such amount due from customer represents a right to consideration in exchange for goods or services transferred to the customer known as contract asset. Correspondingly, an amount due to the customer represents an obligation to transfer goods or services to customer for which the consideration has been billed to the customer known as contract liability.

NOTES TO THE FINANCIAL STATEMENTS

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 2019

- MFRS 9 (Financial Instruments) (Prepayment Features with Negative Compensation) (Amendments to MFRS 9)
- MFRS 16 (Leases)
- Amendments to MFRS 3 (Business Combinations) (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 11 (Joint Arrangements) (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112 (Income Taxes) (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119 (Employee Benefits: Plan Amendment, Curtailment or Settlement)
- Amendments to MFRS 123 (Borrowing Costs) (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128 (Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures)
- IC Interpretation 23 (Uncertainty over Income Tax Treatments)

Effective for annual period beginning on or after 1 January 2020

- Amendments to MFRS 3 (Business Combinations): Definition of a Business
- Amendments to MFRS 101 (Presentation of Financial Statements) and MFRS 108 (Accounting Policies, Changes in Accounting Estimates and Errors): (Definition of Material)

Effective for annual period beginning on or after 1 January 2021

- MFRS 17 (Insurance Contracts)

Deferred

- Amendments to MFRS 10 (Consolidated Financial Statements) and MFRS 128 (Investments in Associates and Joint Ventures) (Sales or Contribution of Asset between Investor and its Associates or Joint Venture)

The directors expect that the adoption of the above standards and interpretation will not have material impact on the financial statements in the period of initial application except as discussed below:

NOTES TO THE FINANCIAL STATEMENTS

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

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

MFRS 16: Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group plans to adopt MFRS 16 prospectively, with an initial application date of 1 January 2019. The Group will not restate the comparative information, which continues to be reported under MFRS 117. Differences arising from the adoption of MFRS 16 will be recognised directly in retained earnings and other components of equity.

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 Group control is achieved when the group is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

Consolidation of subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group 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.

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 profit or loss in accordance with MFRS 9. 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 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

2.4 Basis of consolidation (cont'd.)

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.

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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 determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss in the statement of 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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.8 Fair value measurement

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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 and reclaimed lands	74 to 99 years
Buildings, jetties, slipways and roads	3% - 10%
Yard development	3% - 20%
Plant and machinery	5% - 20%
Equipment, fittings, renovation, motor vehicles and others	3% - 50%

NOTES TO THE FINANCIAL STATEMENTS

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

2.10 Property, plant and equipment (cont'd.)

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.

2.11 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.

2.12 Intangible assets

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.12 Intangible assets (cont'd)

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 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.

2.13 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

2.14 Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost ("debt instruments")
- Financial assets at fair value through OCI with recycling of cumulative gains and losses ("debt instruments")
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition ("equity instruments")
- Financial assets at fair value through profit or loss

The Group and the Company do not have any financial assets carried at fair value through OCI or profit or loss, for both debt and equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

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

2.14 Financial assets (cont'd.)

Subsequent measurement (cont'd.)

Financial assets at amortised cost ("debt instruments")

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost includes trade receivables and other receivables included under other non-current financial assets.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; and
- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS

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

2.15 Impairment of financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost.

The Group and the Company measure loss allowances on debt securities at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 month expected credit loss.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

2.16 Contract balances

Contract assets

Contract asset is the right to consideration for goods or services transferred to the customers. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Where revenue is recognised over time, contract asset is the excess of cumulative revenue earned over the billings to date.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

NOTES TO THE FINANCIAL STATEMENTS

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

2.16 Contract balances (cont'd.)

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

Contract liability is the obligation to transfer goods or services to customer for which the consideration has been received or has been billed to the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Where revenue is recognised over time, contract liability is the excess of the billings to date over the cumulative revenue earned. Contract liabilities include the downpayments received from customers and other deferred income where the entity has billed or has collected the payment before the goods are delivered or services are provided to the customers.

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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.20 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, if any.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 rental income is set out in Note 2.24(d).

2.24 Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects that consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of information based on the five-step model as set out below:

(i) Identify contract with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract

A performance obligation is a promise in good or service to the customer.

(iii) Determine the transaction price

The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group and the Company estimate the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Generally, the Group and the Company receive short-term advances from its customers. Using the practical expedient in MFRS 15, the Group and the Company do not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

NOTES TO THE FINANCIAL STATEMENTS

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

2.24 Revenue (cont'd.)

(iv) Allocate the transaction price to the performance obligation in the contract

For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

- (i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance obligation completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions as mentioned in Note 2.24(v) are met, revenue is recognised over time at which the performance obligation is satisfied. The Group and the Company recognises revenue over time for long term and construction contracts which consists of revenue from heavy engineering, repair and maintenance and the rendering of services.

For performance obligations that the Group and the Company satisfy over time, the Group and the Company determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group's effort and the transfer of service to the customer.

Performance obligations by types of goods or services are as follows:

(a) Heavy engineering

Heavy engineering construction contracts comprise multiple deliverables which include a significant integration service or is a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer and are therefore recognised as a single performance obligation. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, as such, the Group recognises revenue over time using an input method, which is based on the stage of completion of the cost incurred to-date.

(b) Repair and maintenance and the rendering of services

The revenue from repair and maintenance and rendering of services comprise multiple deliverables which represents a combined output for which the customer has contracted for or is a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer and are therefore recognised as a single performance obligation. The Group recognises revenue from repair and maintenance and the rendering of services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset or services.

NOTES TO THE FINANCIAL STATEMENTS

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

2.24 Revenue (cont'd.)

(c) Sale of goods

Revenue from sale of goods and services is recognised at a point in time when control of the assets is transferred to the customer, generally on the delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated such as warranties. In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(d) 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.

(e) Interest income

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

(f) Management fees

Management fee is recognised over time when the services are rendered.

(g) Dividend income

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

Variable consideration

if the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Warranty provisions

The Group provides warranties for defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

NOTES TO THE FINANCIAL STATEMENTS

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

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, except:

- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

2.27 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 cost of an equity transaction are accounted for as a deduction from equity, net of tax.

2.28 Current versus non-current classification

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 realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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) Long term and construction contracts

Where the performance obligations are satisfied over time, the Group recognises contract revenue and costs in the income statement by using the input method by reference to the proportion of cost incurred for work performed to date to the estimated total costs to measure progress towards the satisfaction of performance obligation.

Significant judgement is required in determining the extent of the contract costs incurred, the estimated total contract revenue and costs, the recoverability of the contract costs as well as assessing potential deductions to revenue due to delays in delivery or other contractual penalties. In making these judgements, the Group evaluates by relying on past experience and the work of internal specialists. Information on the Group's long term and construction contracts assets and liabilities is presented in Note 19.

(iii) 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 other temporary differences.

The total carrying value of the Group's recognised tax losses, capital allowances and tax credits and unused tax losses, as disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS

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

(iv) Provision for expected credit losses of trade receivables, other receivables and contract assets

The Group assesses the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risks, 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 a significant increase in credit risk, the Group determines the lifetime expected credit losses by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or full when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the receivables and contract assets is disclosed in Note 18 and Note 19 respectively.

(v) 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 FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Repair and maintenance	45,125	151,978	–	–
Rendering of services	119,487	111,767	–	–
Heavy engineering	468	8,149	–	–
Sale of goods	355	2,125	–	–
Management fee	331	281	–	–
Rental income	3,347	3,347	–	–
Interest income	–	–	775	259
Dividend income	–	–	–	28,000
	169,113	277,647	775	28,259

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D.)

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	←----- Group -----→ ←----- 2018 -----→				
Segments	Commercial	Defence	Energy	Others	Total
Types of goods or service	RM'000	RM'000	RM'000	RM'000	RM'000
Repair and maintenance	1,009	44,116	-	-	45,125
Rendering of services	-	119,487	-	-	119,487
Heavy engineering	-	-	468	-	468
Sales of goods	355	-	-	-	355
Management fees	-	-	-	331	331
Rental income	-	3,347	-	-	3,347
Total revenue from contracts with customers	1,364	166,950	468	331	169,113
Timing of revenue recognition					
Goods transferred at a point in time	355	103,079	-	331	103,765
Services transferred over time	1,009	63,871	468	-	65,348
Total revenue from contracts with customers	1,364	166,950	468	331	169,113

	←----- Group -----→ ←----- 2017 -----→				
Segments	Commercial	Defence	Energy	Others	Total
Types of goods or service	RM'000	RM'000	RM'000	RM'000	RM'000
Repair and maintenance	581	151,397	-	-	151,978
Rendering of services	-	111,767	-	-	111,767
Heavy engineering	-	-	8,149	-	8,149
Sales of goods	2,125	-	-	-	2,125
Management fees	-	-	-	281	281
Rental income	-	3,347	-	-	3,347
Total revenue from contracts with customers	2,706	266,511	8,149	281	277,647
Timing of revenue recognition					
Goods transferred at a point in time	2,125	97,150	-	281	99,556
Services transferred over time	581	169,361	8,149	-	178,091
Total revenue from contracts with customers	2,706	266,511	8,149	281	277,647

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D.)

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information (Note 30):

	←----- 2018 -----→				
	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Total RM'000
Revenue					
External customer	1,364	166,950	468	331	169,113
Inter-segment	-	1,092	-	3,127	4,219
	1,364	168,042	468	3,458	173,332
Inter-segment adjustments and eliminations	-	(1,092)	-	(3,127)	(4,219)
Total revenue from contracts with customers	1,364	166,950	468	331	169,113

	←----- 2017 -----→				
	Commercial RM'000	Defence RM'000	Energy RM'000	Others RM'000	Total RM'000
Revenue					
External customer	2,706	266,511	8,149	281	277,647
Inter-segment	27	2,328	-	3,852	6,207
	2,733	268,839	8,149	4,133	283,854
Inter-segment adjustments and eliminations	(27)	(2,328)	-	(3,852)	(6,207)
Total revenue from contracts with customers	2,706	266,511	8,149	281	277,647

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Raw materials and consumables	28,814	14,103	–	–
Long term and construction contract costs	20,101	96,516	–	–
Employee benefits expense (Note 6)	88,876	92,296	833	904
Non-executive directors' remuneration (Note 7)	473	479	356	359
Depreciation of property, plant and equipment (Note 11)	5,897	6,930	482	1,099
Depreciation of investment property (Note 12)	509	478	–	–
Property, plant and equipment written off	–	1,640	–	1,640
Loss on disposal of property, plant and equipment	–	6	–	–
Other operating costs	54,650	33,849	2,155	1,559
	199,320	246,297	3,826	5,561

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other operating costs include:				
Auditors' remuneration:				
– Statutory audit	395	399	142	142
– Others	16	16	8	8
Inventories written off	–	402	–	–
Inventories written down	8,381	144	–	–
Net (gain)/loss on foreign exchange:				
– realised	(2,553)	(394)	–	(5)
– unrealised	2,352	915	–	–
Impairment loss on investment in subsidiaries (Note 14 (a))	–	–	500	–
Allowance for expected credit losses of:				
– trade receivables (Note 18 (a))	21,097	946	–	–
– other receivables (Note 18 (e))	1,249	12,738	228	–
– contract assets (Note 19 (a))	12,311	–	–	–
Reversal of impairment of:				
– trade receivables (Note 18(a))	(5)	(146)	–	–
Operating leases:				
– minimum lease payments for land and buildings	2,949	3,163	–	–
– minimum lease payments for plant and equipment	205	261	–	–

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	77,796	78,879	406	392
Social security contribution	1,019	912	–	–
Defined contribution plan	10,224	10,592	–	–
Termination benefit	–	980	–	–
Others	12,339	13,510	427	512
	101,378	104,873	833	904
Less: Employee benefit expense capitalised in long term and construction contract costs	(12,502)	(12,577)	–	–
	88,876	92,296	833	904

Included in employee benefits expense of the Group and of the Company is executive directors' remuneration amounting to RM611,000 (2017: RM592,000) and RM524,000 (2017: RM505,000), respectively as further disclosed in Note 7, excluding benefit in kind.

NOTES TO THE FINANCIAL STATEMENTS

7. DIRECTORS' REMUNERATION

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive directors' remuneration:				
Fees	246	246	165	165
Salary	247	235	247	235
Allowances	19	17	13	11
Bonus	79	75	79	75
Defined contribution plan	20	19	20	19
Benefit in kind	8	8	8	8
Total executive directors' remuneration (Note 35 (b))	619	600	532	513
Non-executive directors' remuneration:				
Fees	418	418	310	310
Allowances	55	61	46	49
Total non-executive directors' remuneration (Note 5)	473	479	356	359
Total directors' remuneration	1,092	1,079	888	872

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

	2018	2017
Executive directors:		
RM100,001 - RM150,000	1	1
RM450,001 - RM500,000	1	1
Non-executive directors:		
RM100,001 - RM150,000	1	1
RM150,001 - RM200,000	2	2

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on:				
Term loans	355	409	–	–
Hire purchase and finance lease liabilities	52	62	–	–
Revolving credits	13,624	12,554	10,743	9,836
Others	8	2	259	134
Finance costs recognised in profit or loss	14,039	13,027	11,002	9,970

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Statement of comprehensive income:				
Malaysian income tax:				
Current income tax	6,018	1,288	–	–
Overprovision in prior years	(464)	(374)	–	–
Total income tax	5,554	914	–	–
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	(2,412)	(746)	–	–
Underprovision in prior years	569	1,026	–	–
Total deferred tax	(1,843)	280	–	–
Income tax recognised in profit or loss	3,711	1,194	–	–

NOTES TO THE FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE (CONT'D.)

Reconciliation between tax expense and accounting (loss)/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 2018 and 2017 are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before taxation	(104,615)	11,770	(14,053)	12,728
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(25,108)	2,825	(3,373)	3,055
Expenses not deductible for tax purposes	9,954	4,715	3,373	3,665
Income not subject to tax	–	(11,203)	–	(6,720)
Utilisation of previously unrecognised tax losses and capital allowances	(220)	(400)	–	–
Share of results of associates	12,739	(1,469)	–	–
Share of results of joint ventures	1,789	3,230	–	–
Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances and others	4,452	2,844	–	–
Overprovision of income tax expense in prior years	(464)	(374)	–	–
Underprovision of deferred tax expense in prior years	569	1,026	–	–
Income tax expense recognised in profit or loss	3,711	1,194	–	–

The domestic statutory tax rate for year of assessment 2017 and 2018 will be reduced by 1%, 2%, 3% or 4% if the Group or the Company records an increase in chargeable income by 5% to 9.99%, 10% to 14.99%, 15% to 19.99% or more than 20% respectively from the immediate preceding year of assessment. The reduced tax rates for the current year of assessment will be available only to a company that is in a taxable position for the immediate preceding year of assessment.

A subsidiary and a joint venture received exemption in respect of their statutory income derived from maintenance and in-service support activities of the government vessels for a period of 2 years effective from the year of assessment 2016 which have expired in the year of assessment 2018.

NOTES TO THE FINANCIAL STATEMENTS

10. (LOSS)/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.

The following table reflects the (loss)/profit and share data used in the basic and diluted EPS computation :

	Group	
	2018 RM'000	2017 RM'000
(Loss)/profit for the year attributable to shareholders of the Company	(108,326)	10,576
	'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	(43.60)	4.26

NOTES TO THE FINANCIAL STATEMENTS

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 2017	93,087	20,618	35,650	356	149,711
Additions	8	310	1,552	178	2,048
Written off	–	–	(2,362)	–	(2,362)
Disposals	–	–	(91)	–	(91)
Reclassification	159	–	95	(254)	–
At 31 December 2017/ 1 January 2018	93,254	20,928	34,844	280	149,306
Additions	63	97	555	19	734
Written off	–	–	(53)	–	(53)
Disposals	–	–	(10)	–	(10)
At 31 December 2018	93,317	21,025	35,336	299	149,977

NOTES TO THE FINANCIAL STATEMENTS

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 2017	49,141	12,246	26,197	–	87,584
Depreciation charge for the year:	2,121	1,357	3,518	–	6,996
– Recognised in profit or loss (Note 5)	2,121	1,356	3,453	–	6,930
– Capitalised in long term and construction contract costs	–	1	65	–	66
Written off	–	–	(722)	–	(722)
Disposals	–	–	(80)	–	(80)
At 31 December 2017 /1 January 2018	51,262	13,603	28,913	–	93,778
Depreciation charge for the year:	2,060	1,333	2,533	–	5,926
– Recognised in profit or loss (Note 5)	2,060	1,333	2,504	–	5,897
– Capitalised in long term and construction contract costs	–	–	29	–	29
Written off	–	–	(53)	–	(53)
At 31 December 2018	53,322	14,936	31,393	–	99,651

NOTES TO THE FINANCIAL STATEMENTS

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	37,805	14,936	31,393	–	84,134
Accumulated impairment	15,517	–	–	–	15,517
At 31 December 2018	53,322	14,936	31,393	–	99,651
Net carrying amount					
At 31 December 2018	39,995	6,089	3,943	299	50,326
At 31 December 2017	41,992	7,325	5,931	280	55,528

NOTES TO THE FINANCIAL STATEMENTS

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

* 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 2017	34,762	22,966	35,359	93,087
Additions	–	–	8	8
Reclassification	–	–	159	159
At 31 December 2017 /1 January 2018	34,762	22,966	35,526	93,254
Additions	–	–	63	63
At 31 December 2018	34,762	22,966	35,589	93,317

NOTES TO THE FINANCIAL STATEMENTS

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				
At 1 January 2017	5,486	14,649	29,006	49,141
Depreciation charge for the year	391	634	1,096	2,121
At 31 December 2017 /1 January 2018	5,877	15,283	30,102	51,262
Depreciation charge for the year	391	634	1,035	2,060
At 31 December 2018	6,268	15,917	31,137	53,322
Representing:				
Accumulated depreciation	5,299	8,967	23,539	37,805
Accumulated impairment	969	6,950	7,598	15,517
At 31 December 2018	6,268	15,917	31,137	53,322
Net carrying amount				
At 31 December 2018	28,494	7,049	4,452	39,995
At 31 December 2017	28,885	7,683	5,424	41,992

NOTES TO THE FINANCIAL STATEMENTS

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

	Long term leasehold land RM'000	Equipment RM'000	Total RM'000
Company			
Cost			
1 January 2017	7,786	4,578	12,364
Additions	–	4	4
Written off	–	(2,362)	(2,362)
At 31 December 2017 /1 January 2018	7,786	2,220	10,006
Additions	–	36	36
At 31 December 2018	7,786	2,256	10,042
Accumulated depreciation			
1 January 2017	237	1,010	1,247
Depreciation charge for the year (Note 5)	78	1,021	1,099
Written off	–	(722)	(722)
At 31 December 2017 /1 January 2018	315	1,309	1,624
Depreciation charge for the year (Note 5)	78	404	482
At 31 December 2018	393	1,713	2,106
Net carrying amount			
At 31 December 2018	7,393	543	7,936
At 31 December 2017	7,471	911	8,382

NOTES TO THE FINANCIAL STATEMENTS

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	
	2018 RM'000	2017 RM'000
Motor vehicles	435	365
Equipment	922	977
	1,357	1,342

Details of the terms and conditions of the hire purchase and finance lease arrangements facility are disclosed in Note 24.

- (b) Included in land are two pieces of land in Kota Kinabalu, Sabah and in Bentong, Pahang with carrying amounts of RM11.2 million and RM7.4 million (2017: RM11.4 million and RM7.5 million) respectively whose land titles are still in the process of being transferred to the Group.

12. INVESTMENT PROPERTY

Group	Hangar RM'000
Cost	
At 1 January 2017/31 December 2017 and at 31 December 2018	14,898
Accumulated depreciation	
At 1 January 2017	1,058
Depreciation charge for the year (Note 5)	478
At 31 December 2017 /1 January 2018	1,536
Depreciation charge for the year (Note 5)	509
At 31 December 2018	2,045

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT PROPERTY (CONT'D.)

Group	Hangar RM'000
Net carrying amount	
At 31 December 2018	12,853
At 31 December 2017	13,362

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 2018			
Hangar	Comparison method	31 December 2018	14,700,000
As at 31 December 2017			
Hangar	Comparison method	31 December 2017	14,700,000

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.

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 23.

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSET

	Group RM'000
Ship design right, at cost	
At 1 January 2017, 31 December 2017 /1 January 2018 and 31 December 2018	2,631
Accumulated impairment	
At 1 January 2017, 31 December 2017 /1 January 2018 and 31 December 2018	(2,631)
Net carrying amount	
At 31 December 2018 and 31 December 2017	–

Intangible asset relates to the purchase of design rights.

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 in the previous financial years.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	701,801	701,801
Less: Accumulated impairment loss	(421,801)	(421,301)
	280,000	280,500

The shares in a subsidiary with a carrying value of RM2,636,000 (2017: RM2,636,000) is pledged to financial institutions for banking facilities granted to a former corporate shareholder.

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name of subsidiaries	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2018 %	2017 %
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
BHIC AeroTech Sdn. Bhd.	Provision of maintenance repair and overhaul of aircraft wheels and brakes	RM500,000	100	100
Held by BHIC Asset:				
Desa BHIC Sdn. Bhd. (Dissolved)*	Ceased operations	RM2	–	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	100	100
BHIC Defence Technologies Sdn. Bhd. ("BHIC Defence")	Investment holding	RM36,579,282	100	100

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

			Percentage of ownership interest held by the group	
Name of subsidiaries	Principal activities	Paid-up capital	2018 %	2017 %
Held by BP Shipyard: (cont'd.)				
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
BHIC Marine & Shipping Sdn. Bhd (“BHIC Shipping”) (In Member’s Voluntary Liquidation)	Dormant	RM3,000,003	100	100
BHIC Shipbuilding & Engineering Sdn. Bhd.	Ship repair, shipbuilding and fabrication of steel structures	RM500,000	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
Held by Dominion Defence:				
Burlington Promotions & Publications Sdn. Bhd. (Dissolved)*	Dormant	RM121,000	–	100

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

			Percentage of ownership interest held by the group	
Name of subsidiaries	Principal activities	Paid-up capital	2018 %	2017 %
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. (In Member’s Voluntary Liquidation)	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.	Provision of maintenance and services of submarines	RM500,000	100	100

* Dissolved during the year.

(a) Impairment loss on investment in subsidiaries

An impairment review of carrying amounts of investments in subsidiaries at the reporting date was undertaken based on the value in use taking into consideration that the Company does not expect to generate future positive cash flows. As a result, an impairment loss of RM500,000 (2017: RM Nil) was recognised during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	54,840	54,840	1,250	1,250
Cumulative share of post acquisition profits	88,764	82,645	-	-
Share of current's year post acquisition (loss)/profit	(53,079)	6,119	-	-
	35,685	88,764	-	-
Less: Accumulated impairment losses	-	-	(1,250)	(1,250)
	90,525	143,604	-	-

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	Paid up capital	2018 %	2017 %
Held by the Company:				
Tohwa-Sedap Food Industry Sdn. Bhd. (In Member's Voluntary Liquidation)	Dormant	RM2,500,000	50.00	50.00
Held by Perstim Industries Sdn. Bhd.:				
Boustead Naval Shipyard Sdn. Bhd. ("BNS")	Construction, repair and maintenance of naval ships, weapons and electronics, design and engineering, fabrication of steel structures and commercial shipbuilding	RM130,000,003	20.77	20.77

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENTS IN ASSOCIATES (CONT'D.)

Details of the associates, all of which are equity accounted for and incorporated in Malaysia except as disclosed, are as follows: (cont'd.)

			Percentage of ownership interest held by the group	
Name of associates	Principal activities	Paid up capital	2018 %	2017 %
Held through by BP Shipyard:				
Penang Shipbuilding and Construction Holding (Thailand) Limited (Incorporated in Thailand)	Dormant	THB100,000	48.80	48.80
Held through by BNS:				
Boustead Langkawi Shipyard Sdn. Bhd.	Construction, repair and maintenance of boats and yachts	RM100,000,000	20.77	20.77
BN Shiprepair Sdn. Bhd.	Ceased operations	RM1,000,000	20.77	20.77
Boustead Yachts Sdn. Bhd.	Ceased operations	RM1,000,000	20.77	20.77

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

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENTS IN ASSOCIATES (CONT'D.)

The summarised financial information of the associate, Boustead Naval Shipyard Sdn. Bhd. are as follows:

	2018 RM'000	2017 RM'000
Assets and liabilities		
Current assets	1,239,938	1,523,708
Non-current assets	371,392	395,755
Total assets	1,611,330	1,919,463
Current liabilities	1,267,041	1,948,067
Non-current liabilities	691,899	63,451
Total liabilities	1,958,940	2,011,518
Net liabilities	(347,610)	(92,055)
Results		
Revenue	1,073,175	1,372,046
(Loss)/profit for the year	(255,555)	29,463

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

	2018 RM'000	2017 RM'000
Net liabilities at 1 January	(92,055)	(121,518)
(Loss)/profit for the year	(255,555)	29,463
Net liabilities at 31 December	(347,610)	(92,055)
Interest in associate	20.77%	20.77%
Goodwill	162,724	162,724
Carrying value of Group's investment in associates	90,525	143,604

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS IN JOINT VENTURES

	Group	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost	45,591	34,475
Cumulative share of post acquisition profits	56,863	71,851
Share of current year's post acquisition loss	(7,454)	(13,458)
Less: Dividend paid (Note 35 (a))	(1,620)	(1,530)
	47,789	56,863
	93,380	91,338

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 certain 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.

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	Paid-up capital	2018 %	2017 %
Held by BHIC Defence:				
BHIC Bofors Asia Sdn. Bhd.	Provision of integrated logistics support services on BOFORS weapons systems	RM1,000,000	51	51
BHIC AeroServices Sdn. Bhd. ("BHICAS")	To carry on business of maintenance, repair and overhaul of rotary and fixed wing aircraft	RM2,000,000	51	51
Boustead DCNS Naval Corporation Sdn. Bhd. ("BDNC")	Vessel maintenance	RM10,000,000	60	60
BYO Marine Sdn. Bhd.	Construction of vessels	RM500,000	51	51
Contraves Advanced Devices Sdn. Bhd. ("CAD") *	Manufacturing of electronic products	RM5,000,000	51	51

NOTES TO THE FINANCIAL STATEMENTS

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: (cont'd.)

Name of joint ventures	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2018 %	2017 %
BHIC MSM Sdn. Bhd.	Provision of maintenance and repair of MTU products	RM1,000,000	60	60
Pyrotechnical Ordnance Malaysia Sdn. Bhd.	Production and selling of double based propellant for locally used artillery shells and rockets in defence sector	RM50,002	49	49
BHIC Systems Integration Sdn. Bhd.	To set-up, establish and run the activities relating to business of project management, contract administration, and related services for defense industry in Malaysia, especially but not limited to the Littoral Combat Ship ("LCS") for the Royal Malaysian Navy, Combat System Equipment and Combat Management System Procurement, Combat System Engineering and Combat System Integration activities	RM1,000,000	51	51
Airbus Helicopters Simulation Center Sdn. Bhd.*	Providing, organising, conducting, operating, maintaining, establishing, promoting a flight training centre with simulator and conducting classes, seminars, demonstrations and training programmes in the field of aviation training.	RM37,525,000	30	–
Held by CAD:				
Contraves Sdn. Bhd. *	Property rental	RM100,000	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	RM1,000,000	51	51

* Audited by firms other than Ernst & Young.

NOTES TO THE FINANCIAL STATEMENTS

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

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

(a) Incorporation of a new joint venture company

On 22 August 2017, the Group incorporated a new joint venture company, BHIC Systems Integration Sdn. Bhd. ("BHICSI") and presently has an authorised share capital of RM1,000,000 comprising of 1,000,000 ordinary shares of RM1.00 each. The Group's wholly-owned subsidiary, BHIC Defence holds 51% of BHICSI shares and the remaining shares are held by RD Investment AG. The principal activity of BHICSI is to set-up, establish and run the activities relating to business of project management, contract administration, and related services for defence industry in Malaysia, especially but not limited to the Littoral Combat Ship ("LCS") for the Royal Malaysian Navy, Combat System Equipment and Combat Management System procurement, Combat System Engineering and Combat System Integration activities.

(b) Dilution of shareholding in Pyrotechnical Ordnance Malaysia Sdn. Bhd.

On 6 September 2017, the Group completed the acquisition of additional 24,500 units of ordinary shares of RM1.00 each in Pyrotechnical Ordnance Malaysia Sdn. Bhd. by way of capitalisation of advances whereas Pyrotechnical Holding Managers Sdn. Bhd. subscribed additional 25,500 units of ordinary share of RM1.00 each. Following these acquisitions, the Group's equity interest was diluted from 50% to 49%.

(c) Acquisition of Airbus Helicopters Simulation Centre Sdn. Bhd. ("AHSC")

On 18 March 2015, the Group's wholly owned subsidiary, BHIC Defence signed a Share Purchase Agreement ("SPA") 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 H225/H225M helicopters in Malaysia.

The conditions precedent as set out in the SPA and JVA, including the transfer of 11,257,500 units of ordinary shares in AHM, which is equivalent to 30% of the share capital of AHM to BHIC Defence at a total consideration of EUR2,300,000 (equivalent to RM11,115,900) has been fulfilled and completed on 30 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

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

(d) 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

	2018		2017	
	BDNC RM'000	CAD RM'000	BDNC RM'000	CAD RM'000
Group				
Non-current assets	8,345	168,947	28,879	244,933
Cash and cash equivalent	309,192	142,268	203,350	186,742
Other current assets	424,230	2,352,471	459,863	275,274
Total current assets	733,422	2,494,739	663,213	462,016
Total assets	741,767	2,663,686	692,092	706,949
Current financial liabilities (excluding trade and other payables and provisions)	2	110	1,090	1,983
Trade and other payables and provisions	860,011	2,539,618	664,539	589,049
Total current liabilities	860,013	2,539,728	665,629	591,032
Non-current liabilities	–	8,135	–	7,770
Total liabilities	860,013	2,547,863	665,629	598,802
Net (liabilities)/assets	(118,246)	115,823	26,463	108,147

NOTES TO THE FINANCIAL STATEMENTS

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

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

(ii) Summarised statements of comprehensive income

	2018		2017	
	BDNC RM'000	CAD RM'000	BDNC RM'000	CAD RM'000
Group				
Revenue	386,606	326,854	459,047	420,872
Depreciation	(514)	(74,605)	(471)	(73,556)
Interest income	2,848	5,382	5,237	6,818
Finance costs	–	(354)	(3)	(451)
(Loss)/profit before tax from continuing operations	(129,831)	11,070	(52,038)	13,095
Income tax expense	(14,878)	(3,394)	13,621	(2,362)
(Loss)/profit for the year representing total comprehensive (loss)/income for the year, net of tax	(144,709)	7,676	(38,417)	10,733

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

		2018		2017	
	Note	BDNC RM'000	CAD RM'000	BDNC RM'000	CAD RM'000
Group					
Net assets at 1 January		26,463	108,147	64,880	97,414
(Loss)/profit for the year		(144,709)	7,676	(38,417)	10,733
Net assets at 31 December		(118,246)	115,823	26,463	108,147
Interest in joint ventures (%)		60	51	60	51
Goodwill		–	3,849	–	3,849
Carrying value of Group's interest in joint ventures	(i)	–	62,919	15,878	59,004

(i) The Group has recognised its shares of losses of interest in BDNC when applying the equity method up to its interest in the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Group	
	2018 RM'000	2017 RM'000
The Group's share of profit before tax	6,302	7,974
The Group's share of profit after tax, representing total comprehensive income	4,509	4,118

17. INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
Consumables		
At cost	3,475	2,713
At net realisable value	560	8,896
	4,035	11,609

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables				
Third parties	22,646	21,613	-	-
Due from related parties:				
– Associates	160,299	108,345	-	-
– Joint ventures	55,810	49,870	-	-
	238,755	179,828	-	-
Unbilled receivables due from:				
– Associates	32,022	22,598	-	-
Less: Allowance for expected credit losses:				
– Third parties	(3,340)	(3,384)	-	-
– Associates	(754)	-	-	-
– Joint ventures	(20,322)	-	-	-
Trade receivables, net	246,361	199,042	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables				
Due from related parties:				
– Subsidiaries	–	–	29,616	6,150
– Joint ventures	28,860	29,167	2	2
– Associates	1,870	562	256	253
– Related companies	51	48	–	–
Dividend receivable	–	–	45,500	45,500
	30,781	29,777	75,374	51,905
Deposits	979	995	–	2
Prepayments	170	213	–	–
Sundry receivables	6,829	3,478	–	–
Advances to suppliers	18,236	19,847	–	–
	56,995	54,310	75,374	51,907
Less: Allowance for expected credit losses:				
– Subsidiaries	–	–	(228)	–
– Joint ventures	(11,804)	(10,555)	–	–
– Associates	(28)	(28)	–	–
– Other receivables	(338)	(338)	–	–
– Advance to supplier	(13,155)	(13,155)	–	–
	(25,325)	(24,076)	(228)	–
Other receivables, net	31,670	30,234	75,146	51,907
Total trade and other receivables	278,031	229,276	75,146	51,907
Total trade and other receivables	278,031	229,276	75,146	51,907
Add: Cash and bank balances (Note 20)	17,890	45,920	390	5,265
Less: Prepayments	(170)	(213)	–	–
Less: Advances to suppliers	(5,081)	(6,692)	–	–
Less: GST recoverable	(1,340)	(1,191)	–	–
Total debt instruments at amortised cost /loans and receivables	289,330	267,100	75,536	57,172

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	1,674	95,688
1 to 30 days past due not impaired	2,190	15,760
31 to 60 days past due not impaired	67,418	1,046
61 to 90 days past due not impaired	18,114	5,761
91 to 120 days past due not impaired	9,188	648
More than 121 days past due not impaired	115,755	57,541
	212,665	80,756
Impaired	24,416	3,384
	238,755	179,828

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 RM212,665,000 (2017: RM80,756,000) 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, RM35,483,000 (2017: RM32,201,000) is due from a joint venture and RM158,071,000 (2017: RM30,437,000) is due from an associate which the Group expects to recover in full.

Allowance for expected credit losses

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	
	2018 RM'000	2017 RM'000
Trade receivables-nominal value	24,416	3,384
Less: Allowance for expected credit losses	(24,416)	(3,384)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

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	
	2018 RM'000	2017 RM'000
At 1 January	3,384	2,584
Charge for the year (Note 5)	21,097	946
Reversal of impairment loss (Note 5)	(5)	(146)
Written off	(60)	–
At 31 December	24,416	3,384

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 (2017: 30 days), extending up to 90 days (2017: 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. The details are disclosed in Note 28.

(c) Trade receivables

Trade receivables due from Government of Malaysia and related agencies amounted to RM181,502,000 (2017: RM130,763,090) at the reporting date.

Trade receivables are non-interest bearing.

(d) Amounts due from related parties

All receivables from related parties are unsecured, repayable upon demand, settled in cash and non-interest bearing except for an amount due from a related party which bear weighted average effective interest at rate of 5.7% (2017: 5.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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

(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:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables – nominal value	39,004	39,004	228	–
Less: Allowance for expected credit losses	(25,325)	(24,076)	(228)	–
	13,679	14,928	–	–

Movement in allowance account:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	24,076	11,338	–	–
Charge for the year (Note 5)	1,249	12,738	228	–
At 31 December	25,325	24,076	228	–

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.

NOTES TO THE FINANCIAL STATEMENTS

19. CONTRACT BALANCES

(a) Contract assets/(liabilities)

	Group	
	2018 RM'000	2017 RM'000
Current assets		
Contract assets	2,341	-
Current liabilities		
Contract liabilities	22,572	-

During the financial year, provision for expected credit losses of RM12,311,000 is recognised against the contract assets.

Information on trade receivables balances from contracts with customers is disclosed in Note 18.

Set out below is the amount of revenue recognised from:

	Group	
	2018 RM'000	2017 RM'000
Amounts included in contract liabilities at the beginning of the year	14,052	-
Performance obligations satisfied in previous years	7,263	-
	21,315	-

As at 31 December 2018, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of RM74,667,000 relates to the contracts with customers for repair and maintenance and rendering of services.

Set out below is the movement in the allowance for expected credit losses of contract assets:

	Group	
	2018 RM'000	2017 RM'000
At 1 January	-	-
Provision for expected credit losses (Note 5)	12,311	-
At 31 December	12,311	-

NOTES TO THE FINANCIAL STATEMENTS

19. CONTRACT BALANCES (CONT'D.)

(b) Amount due from/(to) customers on contracts

	Group	
	2018 RM'000	2017 RM'000
Aggregate cost incurred and recognised profit (less recognised losses) to date	-	1,029,705
Less: Progress billings	-	(1,020,910)
	-	8,795
Amount due from customers on contracts	-	37,739
Amount due to customers on contracts	-	(28,944)
	-	8,795

20. CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	1,500	11,000	-	5,000
Cash on hand and at banks	16,390	34,920	390	265
Total cash and bank balances	17,890	45,920	390	5,265

The amount of deposits placed with the financial institutions which are Government-related entities amount to RM17,858,000 (2017: RM45,451,000).

Other information on financial risks of cash and bank balances are disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'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 declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. The ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

22. PROVISIONS

	Group RM'000	Company RM'000
Directors' fee		
At 1 January 2017	685	535
Additional of provision	728	488
Utilisation of provision	(685)	(535)
At 31 December 2017 /1 January 2018	728	488
Additional of provision	712	475
Utilisation of provision	(728)	(488)
At 31 December 2018	712	475

NOTES TO THE FINANCIAL STATEMENTS

23. LOANS AND BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short term borrowings				
Secured:				
Hire purchase and finance lease liabilities (Note 24)	334	298	-	-
Term loan	1,120	1,120	-	-
	1,454	1,418	-	-
Unsecured:				
Revolving credits	267,000	220,000	213,500	170,000
	267,000	220,000	213,500	170,000
Total short term borrowings:				
Term loan	1,120	1,120	-	-
Hire purchase and finance lease liabilities (Note 24)	334	298	-	-
Revolving credits	267,000	220,000	213,500	170,000
	268,454	221,418	213,500	170,000
Long term borrowings				
Secured:				
Hire purchase and finance lease liabilities (Note 24)	451	593	-	-
Term loan	4,686	5,806	-	-
	5,137	6,399	-	-
Total borrowings:				
Term loan	5,806	6,926	-	-
Hire purchase and finance lease liabilities (Note 24)	785	891	-	-
Revolving credits	267,000	220,000	213,500	170,000
	273,591	227,817	213,500	170,000

NOTES TO THE FINANCIAL STATEMENTS

23. LOANS AND BORROWINGS (CONT'D.)

Reconciliation of liabilities arising from financing activities

	Term loan RM'000	Hire purchase and finance lease liabilities RM'000	Revolving credits RM'000	Total RM'000
Group				
At 1 January 2017	8,046	1,187	245,000	254,233
Addition/Drawdown	–	–	20,000	20,000
Repayment	(1,120)	(296)	(45,000)	(46,416)
At 31 December 2017/1 January 2018	6,926	891	220,000	227,817
Addition/Drawdown	–	218	47,000	47,218
Repayment	(1,120)	(324)	–	(1,444)
At 31 December 2018	5,806	785	267,000	273,591
Company				
At 1 January 2017	–	–	195,000	195,000
Addition/Drawdown	–	–	10,000	10,000
Repayment	–	–	(35,000)	(35,000)
At 31 December 2017/1 January 2018	–	–	170,000	170,000
Addition/Drawdown	–	–	43,500	43,500
At 31 December 2018	–	–	213,500	213,500

The Group and the Company classifies interest paid as cash flows from operating activities.

The maturity profile of hire purchase and finance lease liabilities is as disclosed in Note 24.

The term loan of the Group 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 outstanding amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM230,091,000 (2017: RM102,817,000).

NOTES TO THE FINANCIAL STATEMENTS

24. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group	
	2018 RM'000	2017 RM'000
Future minimum lease payments:		
Not later than 1 year	370	342
Later than 1 year but not later than 2 years	316	321
Later than 2 years but not later than 5 years	143	312
Later than 5 years	16	–
	845	975
Less: Future finance charges	(60)	(84)
	785	891
Analysis of present value of finance lease liabilities:		
Not later than 1 year	334	298
Later than 1 year but not later than 2 years	300	293
Later than 2 years but not later than 5 years	135	300
Later than 5 years	16	–
	785	891
Amount due within 12 months (Note 23)	(334)	(298)
Amount due after 12 months (Note 23)	451	593

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 5.61% per annum (2017: 5.81% per annum).

25. DEFERRED TAXATION

	Group	
	2018 RM'000	2017 RM'000
At 1 January	(19,118)	(19,398)
Recognised in profit or loss (Note 9)	(1,843)	280
At 31 December	(20,961)	(19,118)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(21,285)	(19,167)
Deferred tax liabilities	324	49
	(20,961)	(19,118)

NOTES TO THE FINANCIAL STATEMENTS

25. 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 and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
Deferred tax assets			
At 1 January 2017	(21,311)	–	(21,311)
Recognised in profit or loss	3,850	(2,605)	1,245
At 31 December 2017 / 1 January 2018	(17,461)	(2,605)	(20,066)
Recognised in profit or loss	3,838	(5,141)	(1,303)
At 31 December 2018	(13,623)	(7,746)	(21,369)

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2017	1,753	160	1,913
Recognised in profit or loss	(965)	–	(965)
At 31 December 2017 / 1 January 2018	788	160	948
Recognised in profit or loss	(380)	(160)	(540)
At 31 December 2018	408	–	408

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Temporary differences arising from:				
– unused tax losses	(69,360)	(52,032)	(47)	(47)
– unabsorbed capital allowances	(43,893)	(43,837)	–	–
– others	(5,660)	(5,410)	(489)	(489)
	(118,913)	(101,279)	(536)	(536)

The unused tax losses, unabsorbed capital allowances and other temporary differences 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 unused tax losses items, to the extent that future taxable profits are probable to be utilised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables				
Third parties	24,321	27,780	–	–
Due to related parties:				
– Associates	658	135	–	–
– Joint ventures	1,641	1,749	–	–
	26,620	29,664	–	–
Other payables				
Due to related parties:				
– Subsidiaries	–	–	2,018	6,000
– Holding company	218	190	107	48
– Joint ventures	2,902	2,158	–	–
– Associates	6,639	4,917	146	137
– Related companies	2,259	1,217	–	–
	12,018	8,482	2,271	6,185
Accruals	8,179	8,552	1,112	924
Sundry payables	4,514	6,932	406	–
	24,711	23,966	3,789	7,109
Total trade and other payables	51,331	53,630	3,789	7,109
Total trade and other payables	51,331	53,630	3,789	7,109
Add: Loans and borrowings (Note 23)	273,591	227,817	213,500	170,000
Total financial liabilities carried at amortised costs	324,922	281,447	217,289	177,109

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2017: 30 to 90 days).

(b) Non trade balances due to related parties.

All payables from related parties are unsecured, payable upon demand, settled in cash and non-interest bearing except for an amount due to a related party which bear weighted average interest at rate of 5.7% (2017: 5.5%) per annum.

Further details on related party transactions are disclosed in Note 35.

Other information on financial risks of trade and other payables are disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

27. DIVIDEND

	Group and Company			
	2018 sen	2017 sen	2018 RM'000	2017 RM'000
Recognised in the financial year:				
Dividends on ordinary shares:				
– First single tier interim dividend	1.5	3.0	3,727	7,454
– Second single tier interim dividend	–	2.0	–	4,969
	1.5	5.0	3,727	12,423

The directors do not propose the payment of any final dividend for the current financial year.

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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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:

	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 2018							
Fixed rate							
Hire purchase and finance lease liabilities	24	5.61%	(334)	(300)	(135)	(16)	(785)
Deposits with licensed banks	20	3.15%	1,500	–	–	–	1,500
Floating rate							
Term loan	23	5.75%	(1,120)	(1,120)	(3,360)	(206)	(5,806)
Revolving credits	23	5.78%	(267,000)	–	–	–	(267,000)
At 31 December 2017							
Fixed rate							
Hire purchase and finance lease liabilities	24	5.81%	(298)	(293)	(300)	–	(891)
Deposits with licensed banks	20	2.91%	11,000	–	–	–	11,000
Floating rate							
Term loan	23	5.50%	(1,120)	(1,120)	(3,360)	(1,326)	(6,926)
Revolving credits	23	5.56%	(220,000)	–	–	–	(220,000)

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Interest rate risk (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 2018						
Floating rate						
Revolving credits	23	5.84%	(213,500)	–	–	(213,500)
At 31 December 2017						
Fixed rate						
Deposits with licensed banks	20	2.91%	5,000	–	–	5,000
Floating rate						
Revolving credits	23	5.62%	(170,000)	–	–	(170,000)

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 (loss)/profit net of tax would have been RM1,037,000 (2017: RM862,000) and RM811,000 (2017: RM646,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

	← 2018 →			
	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 (Note 26)	51,331	–	–	51,331
Loans and borrowings	269,671	5,917	289	275,877
Total undiscounted financial liabilities	321,002	5,917	289	327,208
Company				
Financial liabilities				
Trade and other payables (Note 26)	3,789	–	–	3,789
Loans and borrowings	214,420	–	–	214,420
Total undiscounted financial liabilities	218,209	–	–	218,209
	← 2017 →			
	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 (Note 26)	53,630	–	–	53,630
Loans and borrowings	222,830	6,208	1,361	230,399
Total undiscounted financial liabilities	276,460	6,208	1,361	284,029

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Liquidity and cash flow risks (cont'd.)

	← 2017 →			
	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Company				
Financial liabilities				
Trade and other payables (Note 26)	7,109	–	–	7,109
Loans and borrowings	170,697	–	–	170,697
Total undiscounted financial liabilities	177,806	–	–	177,806

(c) Credit risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposures to credit risk arise principally from its deposits with licensed banks and other financial institutions, receivables from customers and amounts due from related parties. Credit risks are controlled by individual subsidiaries in line with the Group policies and guidelines.

Deposits with licensed banks and other financial institutions

Deposits with licensed banks and other financial institutions are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Amounts due from related parties

The Company provides advances to its related parties. The Company monitors the results of the related parties regularly. As at the end of the reporting period, the maximum exposure to credit risk arising from the related parties is represented by their carrying amounts in the statements of financial position.

Receivables

The Group minimises credit risk by ensuring that all potential third party counterparties are subject to credit assessment and approval prior to any transaction being concluded. Existing third party counterparties are also subject to regular reviews, including re-appraisal. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information.

Depending on the types of transactions and counterparty creditworthiness, the Group further mitigates and limits risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit or bank guarantees.

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions.

NOTES TO THE FINANCIAL STATEMENTS

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			
	2018		2017	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	228,861	92.9%	181,542	91.2%
Others	17,500	7.1%	17,500	8.8%
	246,361	100%	199,042	100.0%
By industry sector:				
Defence and Security	245,871	99.8%	197,283	99.1%
Commercial	490	0.2%	1,345	0.7%
Chartering	–	–	414	0.2%
	246,361	100%	199,042	100.0%

The Company uses ageing analysis to monitor the credit quality of trade receivables.

The Company performs credit rating assessment of all its counterparties in order to measure ECLs of trade receivables. This credit rating assessment considers quantitative assessment using the counterparties' customer's financial statements or a qualitative assessment of the counterparties customer, which includes but is not limited to their customer's reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the Company considers the loss given default and the probability of default assigned to each counterparty customer. The probability of default is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Company's historical experience.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Credit risk (cont'd.)

Evidence that a financial asset is credit-impaired includes the following observable data:

- (i) significant financial difficulty of the customer;
- (ii) a breach of contract such as a default; and
- (iii) it is probable that the customer will enter bankruptcy or other financial reorganisation.

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The ageing of trade receivables is disclosed in Note 18(a).

(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, associate and related companies	18
Loans and borrowings (current)	23
Trade and other payables	26
Amounts due to subsidiaries, joint ventures, associate and holding company	26

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Fair value of financial instruments (cont'd.)

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.

Set out below is the carrying amounts and fair value of the Group's financial liabilities, other than those with carrying amounts that are approximations of fair values:

	Group			
	Carrying amount		Fair value	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial liabilities				
Interest bearing loans and borrowings, representing hire purchase and finance lease liabilities	(451)	(593)	(443)	(583)

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.

(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"), Euro ("EUR"), Singapore Dollar ("SGD") and Great Britain Pound ("GBP"). Foreign exchange exposures are kept to an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Foreign exchange risk (cont'd.)

The net unhedged financial assets and liabilities of the Group that are not denominated in the functional currencies of the respective group companies are as follows:

	Deposits, cash and bank balances RM'000	Receivables RM'000	Payables RM'000	Total RM'000
At 31 December 2018				
USD	21	8	(36)	(7)
EUR	312	4,390	(4,993)	(291)
SGD	–	–	(30)	(30)
	333	4,398	(5,059)	(328)
At 31 December 2017				
USD	27	29	(652)	(596)
EUR	6,729	312	(10,121)	(3,080)
SGD	–	–	(694)	(694)
GBP	–	–	(143)	(143)
	6,756	341	(11,610)	(4,513)

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, EUR, SGD and GBP exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

	Group Profit/(loss) net of tax	
	2018 RM'000	2017 RM'000
USD/RM - strengthened 5%	–	(30)
- weakened 5%	–	30
EUR/RM - strengthened 5%	(15)	(154)
- weakened 5%	15	154
SGD/RM - strengthened 5%	(1)	(35)
- weakened 5%	1	35
GBP/RM - strengthened 5%	–	(7)
- weakened 5%	–	7

NOTES TO THE FINANCIAL STATEMENTS

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 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 23) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 23) over the aggregate of the equity held by shareholders and non-controlling interests is 1.18 times (2017: 0.66 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

On 21 August 2015, the Group announced the Internal Reorganisation exercise of its corporate structure. Subsequent to the announcement, the Group's business has been re-organised based on three main distinct divisions, namely Defence and Security, Energy and Commercial. The others category refers to investment holding entities. For each of the segments, the Managing Director reviews the internal management reports at least on a quarterly basis. The following summary describes the operations of each of the Group's segments:

- (i) Defence and Security – The business units under this segment are principally engaged in shipbuilding and maintenance, repair and overhaul ("MRO") of Navy's patrol vessels. In addition, this segment is also involved in manufacturing, supply and maintenance of defence related electronic products;
- (ii) Energy – The business unit under this segment is principally engaged in the fabrication of steel structures & platforms, marine engineering, oil & gas fabrication, hook up & commissioning and other services related to the oil & gas industry; and
- (iii) Commercial – The business units under this segment is principally engaged in the heavy engineering, shipbuilding, MRO of non-Defence related vessels, providing trainings, trading of goods and MRO of aircraft wheels and brakes.

Included in the Defence and Security segment, the revenue of approximately RM166,950,000 (2017: RM266,511,000) is primarily derived from two major customers.

The Group operates fully within Malaysia. The other segments are not reportable segments to be disclosed under the requirements of MFRS 8. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 tables below.

	Defence and Security RM'000	Energy RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
As at 31 December 2018						
Group total sales	168,042	468	1,364	3,458	(4,219)	169,113
Inter-segment sales	(1,092)	–	–	(3,127)	4,219	–
External revenue	166,950	468	1,364	331	–	169,113
Results						
Segment result-external	12,055	(3,029)	(9,116)	(42,143)	12,026	(30,207)
Interest income	825	–	14	2,410	(3,085)	164
Finance costs	(807)	–	(1,443)	(15,662)	3,873	(14,039)
Share of result in joint ventures	(7,454)	–	–	–	–	(7,454)
Share of result in associates	(53,079)	–	–	–	–	(53,079)
Loss before taxation	(48,460)	(3,029)	(10,545)	(55,395)	12,814	(104,615)
Income tax expense						(3,711)
Loss for the year from net of tax						(108,326)
Other Information						
Depreciation	5,202	–	228	976	–	6,406
Other non-cash expenses	33,883	–	9,111	–	–	42,994

NOTES TO THE FINANCIAL STATEMENTS

30. SEGMENTAL INFORMATION (CONT'D.)

	Defence and Security RM'000	Energy RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
As at 31 December 2017						
Group total sales	268,839	8,149	2,733	4,133	(6,207)	277,647
Inter-segment sales	(2,328)	–	(27)	(3,852)	6,207	–
External revenue	266,511	8,149	2,706	281	–	277,647
Results						
Segment result-external	76,292	2,512	(3,999)	(39,209)	(4,246)	31,350
Interest income	1,186	–	563	2,034	(2,997)	786
Finance costs	(199)	–	(1,319)	(14,693)	3,184	(13,027)
Share of result in joint ventures	(13,458)	–	–	–	–	(13,458)
Share of result in associates	6,119	–	–	–	–	6,119
Profit/(loss) before taxation	69,940	2,512	(4,755)	(51,868)	(4,059)	11,770
Income tax expense						(1,194)
Profit for the year from net of tax						10,576
Other Information						
Depreciation	5,500	–	254	1,654	–	7,408
Other non-cash expenses	12,738	–	1,346	1,640	–	15,724

NOTES TO THE FINANCIAL STATEMENTS

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	
	2018 RM'000	2017 RM'000
Future minimum rental payments:		
Not later than 1 year	2,491	2,478
Later than 1 year but not later than 5 years	4,579	5,662
Later than 5 years	8,430	9,201
	15,500	17,341

The lease payments recognised in profit or loss during the financial year are disclosed in Note 5.

(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	
	2018 RM'000	2017 RM'000
Not later than 1 year	2,667	2,667
Later than 1 year but not later than 5 years	8,001	8,001
Later than 5 years	4,556	7,223
	15,224	17,891

NOTES TO THE FINANCIAL STATEMENTS

32. CAPITAL COMMITMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Approved but not contracted for:				
- Property, plant and equipment	21,252	48,416	-	-
Approved and contracted for:				
- Property, plant and equipment	21	68	-	-

33. CONTINGENT LIABILITIES

(a) Muara Hijau Sdn Bhd ("Muara Hijau")

Muara Hijau was a contractor appointed by a subsidiary of the Group to supply microturbine generator ("MTG") for its oil & gas project. During performance of test run in the commissioning phase to synchronise the MTG and a diesel engine generator, the MTG tripped and damaged. Due to such incident, Muara Hijau claims that the warranty of the MTG is void. Muara Hijau is now claiming for the alleged costs incurred amounting to RM5,537,450 during the commissioning phase and to repair and maintain the MTG as well as renewal of its warranty.

On 7 November 2017, the High Court dismissed the Plaintiff's claim against the subsidiary of the Group due to insufficient evidence. The costs of RM35,000 is awarded to the subsidiary of the Group.

On 29 November 2017, Muara Hijau filed an appeal with Court of Appeal. The Registrar has directed that the Records of Appeal are to be filed by 29 January 2018 and the next case management date is fixed on 8 March 2018 for the Appellant's solicitor to update the court on the filing of the said Records.

During the final case management and hearing of the appeal which was held on 2 July 2018 and 13 July 2018 respectively, the Court of Appeal has dismissed MuaraHijau's appeal with costs of RM15,000 to be paid to the subsidiary of the Group.

(b) Ingat Kawan (M) Sdn Bhd's litigation case

On 4 September 2012, the Group's associate was served with a Writ of Summons by Ingat Kawan (M) Sdn. Bhd. ("the Plaintiff"). The Plaintiff was claiming against the Group's associate for unspecified general damages, special damages of RM50.0 million, interest at 10% per annum on the said amount of RM50.0 million calculated from 7 September 2011 until full settlement, interest at 8% per annum on the said amount of RM50.0 million calculated from the date of filing the Writ of Summons until full settlement, costs and other reliefs that the Court deems fit, arising from an alleged breach of contract by the Group's associate. On 11 September 2012, the Group's associate filed its defence and counterclaims and sought to add 5 parties as co-defendants in its counterclaims. On 30 November 2012, the Court dismissed the Plaintiff's objections to the Group's associate addition of the 5 co-defendants.

On 14 March 2013, the High Court allowed with cost the Group's associate application to strike out the Plaintiff's claims. Thus, on 1 April 2013, the Group's associate withdrew its counterclaims against the Plaintiff, but with liberty to file afresh. On 22 March 2013, the Plaintiff filed a Notice of Appeal to the Court of Appeal. On 11 November 2013, the Court of Appeal allowed the Plaintiff's appeal and ordered the case to be tried at the High Court. On 10 December 2013, the Group's associate filed a Notice of Motion for the leave to appeal to the Federal Court.

NOTES TO THE FINANCIAL STATEMENTS

33. CONTINGENT LIABILITIES (CONT'D.)

(b) Ingat Kawan (M) Sdn Bhd's litigation case (cont'd.)

On 13 July 2016, the Federal Court granted the Group's associate a leave to appeal to the Federal Court against the 11 November 2013 decision of the Court of Appeal that the case be tried at the High Court. The Federal Court also allowed six leave questions and ordered that cost be in the cause.

Hearing of appeal at the Federal Court on 5 December 2016 was adjourned as the Plaintiff's solicitor has filed a Notice of Motion to discharge themselves as solicitor on 1 December 2016. Hearing of the Appeal was held on 22 August 2017 where the Federal Court have set aside both the decision of the Court of Appeal and the High Court.

During the Hearing on 26 January 2018, the Court directed the parties to file additional Affidavits. On 28 March 2018, the Court allowed the Plaintiff's application to enter the shipyard and inspect and /or collect samples of 'abandoned' LV cables.

The trials took place on 16 and 17 April 2018, 7 May 2018, 22 and 23 November 2018. During the trials, BNS' lawyer had cross-examined the Plaintiff's second witness and the Plaintiff closed its case after its lawyers re-examined the said witness. During the trial on 22 January 2019, BNS' fourth witness testified on the worthiness of the copper cables. The trial which was supposed to continue on 19 February 2019 was postponed to 5 and 10 April 2019.

The Group's associate, upon consultation with the solicitors, is of the view that the Group's associate has a good defence to the claim by the Plaintiff.

(c) Liquidated Ascertained Damages

On 10 July 2017, the joint venture company, Boustead DCNS Naval Corporation Sdn Bhd ("BDNC") received a letter from the Ministry of Defence Malaysia ("MINDEF") claiming for Liquidated Damages ("LD") amounting to RM53.2 million and EUR19.3 million for the ISS for the Royal Malaysian Navy SCORPENE Submarine contract.

BDNC had made adequate provision for the LD claim.

To date, the Group is still in the midst of negotiating and finalising the LD claims.

NOTES TO THE FINANCIAL STATEMENTS

34. SIGNIFICANT EVENTS

(a) Internal Reorganisation

On 21 August 2015, the Group announced the Internal Reorganisation of its corporate structure, in order to achieve better operational efficiencies, organisational clarity and focus on its core businesses. The Group structure is divided into three main distinct divisions namely the Defence and Security Division, Energy Division and Commercial Division. The Internal Reorganisation is not expected to have any material impact on the earnings of the Group for the financial year ended 31 December 2018.

On 10 July 2017, the Company's wholly owned subsidiary, BHIC Defence signed a Share And Business Restructuring Agreement ("SBRA") to restructure and rebrand Contraves Advanced Devices Sdn Bhd ("CAD")'s business. Pursuant to the signing of SBRA, on 16 August 2018, BHIC Defence signed a joint venture agreement with RD Investment AG for the purpose of forming a joint venture company. The restructuring of CAD is currently ongoing.

(b) Rightsizing

An exercise was undertaken to identify the optimal organisational structure for the Group. An obvious component of this exercise is a critical review of appropriate human capital resources, which will impact the entire Group. Specific rightsizing initiatives, based on the Group's established performance appraisal processes, have commenced in all primary operating facilities, including the head office and will lead to a reduction in overall employee headcount.

To date, a total of 160 personnel had accepted the mutual separation scheme offered by the Group as at to date with a total actual payment of approximately RM11.5 million.

This process will continue until the Group reaches its desired organisation structure.

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES

- (a) Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income				
Subsidiaries	–	–	764	220
Government-related financial institutions	101	179	11	39
Joint ventures	60	56	–	–
Associates	1	–	–	–
Dividend income				
Joint ventures (Note 16)	1,620	1,530	–	–
Subsidiary	–	–	–	28,000
Sales of goods/Rendering of services				
Associates	124,956	113,075	–	–
Joint ventures	25,269	147,009	–	–
Purchases of goods/Rendering of services				
Immediate holding company	989	1,002	585	526
Related companies	1,107	1,486	92	55
Joint ventures	742	102	–	–
Associates	1,950	1,410	–	–
Management fees				
Joint venture	331	281	–	–
Rental income				
Joint venture	3,347	3,347	–	–
Interest expense paid to:				
Subsidiaries	–	–	251	134
Joint ventures	8	–	8	–
Government-related financial institutions	11,742	5,414	10,743	4,384

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES (CONT'D.)

- (a) **Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows: (cont'd.)**

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 2018 are disclosed in Notes 18 and 26.

- (b) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	6,472	6,201	820	801
Defined contribution plan	742	748	63	61
Others	1,147	1,451	758	785
	8,361	8,400	1,641	1,647
Included in the total key management personnel are:				
Directors' remuneration (Note 7)	619	600	532	513

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES (CONT'D.)

(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

- On 12 August 2010, BDNC, a joint venture of the Group, received a letter of award from the Ministry of Defence ("MINDEF") to undertake In Service Support ("ISS") 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 2016. The contract was finalised on 3 September 2015.
- On 12 October 2015, BDNC, a joint venture of the Group, has received and accepted an 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.
- On 19 April 2016, BDNC, a joint venture of the Group, signed an agreement with the Government of Malaysia ("GOM") for the provision of REFIT services for 2 units of Prime Minister's Class Submarines for the Royal Malaysian Navy at a total dual currency contract price of EUR169.9 million and RM432.4 million (inclusive of Goods and Services Tax), effective from 1 November 2015.
- On 16 December 2011, Boustead Naval Shipyard Sdn. Bhd. ("BNS"), an associate of the Group, received a letter of award from 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 2015.
- On 23 March 2017, BNS, an associate of the Group, signed an agreement with GOM for the supply of 4 units of Littoral Mission Ship in collaboration with a Partner Shipyard in China at a contract value of RM1.17 billion (inclusive of Goods and Services Tax).
- On 30 January 2013, BHIC AeroServices Sdn. Bhd. ("BHICAS"), a joint venture of the Group, received a letter of award for the ISS 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. On 18 February 2016, BHICAS received and accepted the Extended Letter of Award ("Extended LOA") from MINDEF for the extension of obligations in relation to the said ISS Contract Royal Malaysian Navy with the consideration under the first letter of award and the Extended LOA is now revised to RM63.2 million only, excluding Goods and Services Tax. The Extended LOA is for a period of 3 years starting from 7 February 2016.

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Government-related entities (cont'd.)

(i) Individually significant transactions because of size of transactions (cont'd.)

- On 26 June 2013, BHICAS, a joint venture of the Group, received a letter of award 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. On 12 October 2016, BHICAS has received and accepted a Letter of Acceptance from GOM for the provision of Integrated Maintenance and Logistic Support Services for three (3) units of Malaysian Maritime Enforcement Agency Dauphin AS365N3 Helicopters at a ceiling contract value of RM62.6 million (inclusive of Goods and Services Tax) and for a period of two (2) years and nine (9) months, effective from 1 October 2016.
- On 20 March 2014, BHICAS, a joint venture of the Group, received a letter of award for the ISS 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 20 July 2017, BHICAS received an LOA for the extension of this contract until 31 March 2020 with an additional contract value of RM220.0 million.
- On 10 April 2018, BNS, an associate of the Group, executed a Letter of Work dated 14 March 2018 from the Ministry of Defence Malaysia for the maintenance and upgrading of Combat Management System for the Royal Malaysian Navy's vessel at a contract value of RM44.8 million.
- On 12 November 2018, BDNC, a joint venture of the Group, received a consent letter from GOM dated 9th November 2018 amounting to RM90.0 million for the provision of Out of Scope Works for the ISS Contract from 1st June 2017 to 31st March 2018

36. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 11 March 2019.

SHAREHOLDING STATISTICS

AS AT 28 FEBRUARY 2019

Issued Share Capital : RM248,457,614 represented by 248,457,614 Ordinary shares
Class of Share : Ordinary shares
Voting Right : One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of holders	%	No. of shares	%
1 – 99	1,028	28.56	16,488	0.01
100 – 1,000	1,100	30.56	565,532	0.23
1,001 – 10,000	1,076	29.89	4,569,946	1.84
10,001 – 100,000	328	9.11	10,450,400	4.21
100,001 – 12,422,879 (*)	65	1.80	32,444,700	13.06
12,422,880 and above (**)	3	0.08	200,410,548	80.66
Total	3,600	100.00	248,457,614	100.00

Remark : * - less than 5% of issued shares

** - 5% and above of issued shares

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

Size of Shareholdings	No. of share direct	%	No. of shares indirect	%
Boustead Holdings Berhad	161,497,448	65.00	–	–
Lembaga Tabung Angkatan Tentera	20,266,800	8.16	161,497,448	65.0
Urusharta Jamaah Sdn Bhd	18,646,300	7.50	–	–

DIRECTORS SHAREHOLDING

Name of Directors	Direct	No. of share %	Indirect	Size of %
Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor	2,002,100	0.80	11,200* ¹	#
Datuk Azzat Kamaludin	350,000	0.14	–	–
Dato' Ishak Osman	10,000	#	20* ²	#
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 SHAREHOLDERS

AS AT 28 FEBRUARY 2019

	Name of shareholders	No. of shares	%
1	BOUSTEAD HOLDINGS BERHAD <i>ACCOUNT NON-TRADING</i>	161,497,448	65.00
2	LEMBAGA TABUNG ANGKATAN TENTERA	20,266,800	8.16
3	URUSHARTA JAMAAH SDN BHD	18,646,300	7.50
4	TAN HAN CHONG	3,072,000	1.24
5	WONG AH TIM @ ONG AH TIN	2,975,900	1.20
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN (CEB)</i>	2,006,100	0.81
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR AHMAD RAMLI BIN MOHD NOR (8029256)</i>	2,000,000	0.80
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR PERAMJEET SINGH A/L GIAN SINGH (8029243)</i>	2,000,000	0.80
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN (8029271)</i>	2,000,000	0.80
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEAN MENG SEONG (8029269)</i>	1,801,300	0.72
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NORAZLAN BIN MOHAMAD NORDIN (CEB)</i>	985,000	0.40
12	B & A FAMILY HOLDINGS SDN BHD	900,000	0.36
13	TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHOW KWAI PING</i>	836,400	0.34
14	HSBC NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)</i>	810,000	0.33
15	TAN CHING LING	572,400	0.23

LIST OF TOP 30 SHAREHOLDERS

	Name of shareholders	No. of shares	%
16	KASINATHAN A/L T.KASIPILLAI	502,700	0.20
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR MONINDAR KAUR A/P HARCHARAN SINGH (8037133)</i>	424,000	0.17
18	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAI MOO CHAN</i>	420,400	0.17
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SIM LEONG THUN (E-SS2)</i>	388,600	0.16
20	TAN LEE HWA	385,500	0.16
21	MAVIS TAN KENG MUN	383,000	0.15
22	ONG TONG PHENG @ ENG AH TOON	376,000	0.15
23	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR AGROMEGA CORPORATION SDN BHD</i>	366,800	0.15
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEAN MENG TUCK (7002971)</i>	353,900	0.14
25	AZZAT BIN KAMALUDIN	350,000	0.14
26	CHAN YOKE CHENG	350,000	0.14
27	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NOOR AZMAN @ NOOR HIZAM B MOHD NURDIN (CEB)</i>	340,000	0.14
28	LAI YOON KEE	336,000	0.14
29	KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR RITZ CREST SDN BHD</i>	331,000	0.13
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NOOR AZMAN @ NOOR HIZAM B MOHD NURDIN (8037673)</i>	322,000	0.13
Total		225,999,548	90.96

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	20.21 acres	Leasehold expiring on 24/01/2072	47 years	18,879
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	47 years	1,432
HS(D) 16204, PT8711 Mukim Lumut Daerah Manjung, Perak	Marine industry land	76.0 acres	Leasehold expiring on 18/10/2099	18 years	–
HSM 3558 Lot No. 20238 Mukim 13 Daerah Timur Laut Pulau Pinang	Building	0.8 acre	Leasehold expiring on 15/11/2073	5 years	–
INVESTMENT PROPERTY					
Master Title No. Geran 19583 Lot No. 1210 Mukim Damansara Daerah Petaling Selangor	Helicopter Hangar Building	1.0 acre	20 years, sublease expiring on 14/04/2033 with an option to renew for a further term of 10 years	6 years	12,853

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.

NOTICE OF 47TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting of the Company will be held at Mutiara Ballroom, Ground Floor, Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor on Tuesday, 23 April 2019 at 2.30 p.m. for the purpose of transacting the following businesses:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors. **(Please refer Note 1)**
2. To re-elect Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor who retires by rotation in accordance with Article 77 of the Company's Constitution, and being eligible, offer himself for re-election. **Ordinary Resolution 1**
3. To re-elect Rozi Baharudin appointed during the year, who retires in accordance with Article 83 of the Company's Constitution, and being eligible, offer herself for re-election. **Ordinary Resolution 2**
4. To approve payment of Directors' benefits as follows:-
 - (i) Directors' meeting allowances to each Director of RM1,000 for each attendance at Board Meeting and Board Committee Meeting of the Company and/or its subsidiaries and/or its joint venture companies from the date of this Annual General Meeting until the conclusion of the next Annual General Meeting; and **Ordinary Resolution 3**
 - (ii) A fee of RM45,000 per annum for the Chairman and RM36,000 per annum for each of the other Directors for membership on the Board of a functional subsidiary for the financial year ended 31 December 2018. **Ordinary Resolution 4**
5. To approve payment of Directors' fees of RM475,000 (exclusive of any applicable taxes) for the financial year ended 31 December 2018. **Ordinary Resolution 5**
6. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Directors. **Ordinary Resolution 6**

SPECIAL BUSINESS

7. To consider and, if thought fit, pass the following Ordinary Resolutions with or without modifications:

(A) AUTHORITY TO ALLOT SHARES

“THAT subject always to the Companies Act 2016 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to allot shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes 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 hereby also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation of 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.”

Ordinary Resolution 7

(B) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS

“THAT subject always to the Companies Act 2016 (“Act”), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the renewal of the mandate granted by the shareholders of the Company on 11 April 2018, authorising the Company and/or its subsidiaries to enter into recurrent transactions of a revenue or trading nature with the Related Parties as specified in Section 2.4.1 of the Circular to Shareholders dated 25 March 2019, provided that the transactions are:

Ordinary Resolution 8

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

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

- (i) 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;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) 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 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 this Shareholders' Mandate.”

NOTICE OF 47TH ANNUAL GENERAL MEETING

(C) PROPOSED ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS

"THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the additional transactions involving the Related Parties as specified in Section 2.4.2 of the Circular to Shareholders dated 25 March 2019, provided that the transactions are:

Ordinary Resolution 9

- (i) recurrent transaction of a revenue or trading nature;
- (ii) necessary for the day to day operations;
- (iii) carried out in the ordinary course of business and 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.

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

- (i) 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;
 - (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - (iii) 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 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 this Shareholders' Mandate."

(D) PROPOSED RETENTION OF INDEPENDENT DIRECTORS

- (i) "THAT Dato' Ishak Osman be and is hereby retained as an Independent Non-Executive Director of the Company and he shall continue to act as an Independent Non-Executive Director notwithstanding that he has been on the Board of the Company for a cumulative term of more than nine (9) years"
- (ii) "THAT Abd Malik A. Rahman be and is hereby retained as an Independent Non-Executive Director of the Company and he shall continue to act as an Independent Non-Executive Director notwithstanding that he has been on the Board of the Company for a cumulative term of more than nine (9) years"

Ordinary Resolution 10

Ordinary Resolution 11

8. To consider and, if thought fit, to pass the following Special Resolution, with or without modifications:-

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

“THAT the draft new set of the Constitution of the Company in the form and manner as set out in Appendix A attached herewith be and is hereby approved and adopted as the new Constitution of the Company, in substitution for, and to the exclusion of, the existing Constitution of the Company AND THAT the Directors be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to adoption of the new Constitution of the Company.”

Special Resolution 1

9. To transact any other business of the Company of which due notice shall have been received.

By Order of the Board

LILYROHAYU AB HAMID @ KASSIM

SUZANA SANUDIN

Company Secretaries

Kuala Lumpur

25 March 2019

NOTICE OF 47TH ANNUAL GENERAL MEETING

Notes

1. Audited Financial Statements

The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act 2016 ("Act") are meant for discussion only. It does not require shareholders' approval, and therefore, shall not be put forward for voting.

2. Ordinary Resolution 1 and 2- Proposed Re-election of Directors in accordance with Article 77 and Article 83 of the Company's Constitution

Article 77 of the Company's Constitution provides amongst others that at least one-third of the Directors who are subject to retirement by rotation or, if their number is not three (3) or multiple of three (3), the number nearest to one-third shall retire from office provided always that all Directors shall retire from office once at least in every three (3) years and shall be eligible for re-election.

Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor is standing for re-election pursuant to Article 77 of the Company's Constitution.

The Nominating Committee ("NC") of the Company has assessed the criteria and contribution of Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor and recommended for his re-election. The Board endorsed the NC's recommendation that Tan Sri Dato' Seri Ahmad Ramli Haji Mohd Nor be re-elected as Director of the Company.

Article 83 of the Company's Constitution provides amongst others that the Directors shall have power at any time, to appoint any person to be a Director, either to fill a casual vacancy or as an additional to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with these Articles. Any Director so appointed shall hold office until the next following Annual General Meeting ("AGM") and shall then be eligible for re-election.

Puan Rozi Baharudin is standing for re-election pursuant to Article 83 of the Company's Constitution.

3. Ordinary Resolutions 3 to 5 – Directors' Remuneration

Section 230(1) of the Act provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board wishes to seek shareholders' approval for the following resolutions:

- Ordinary Resolution 3 on payment of Directors' meeting allowances to each Director of RM1,000 for each attendance at Board Meeting and Board Committee Meeting of the Company and/or its subsidiaries and/or joint venture companies from the date of this AGM until the conclusion of the next AGM; and
- Ordinary Resolution 4 on payment of a fee to the Chairman of RM45,000 per annum and RM36,000 per annum to each of the other Directors for membership on the Board of a functional subsidiary for the financial year ended 31 December 2018.
- Ordinary Resolution 5 on payment of Directors' fees of RM475,000 for the financial year ended 31 December 2018.

The current structure of Directors' fees and allowances of the Company is as follows:-

(a) Boustead Heavy Industries Corporation Berhad

		Directors' Fees (per annum) (RM)	Meeting Allowance (per meeting) (RM)
Board	Chairman	90,000	1,000
	Members (per person)	75,000	1,000
Board Committees			
Audit Committee	Chairman	35,000	1,000
	Members (per person)	25,000	1,000
Nominating & Remuneration Committee	Chairman	-	1,000
	Members (per person)	-	1,000
Risk & Sustainability Committee	Chairman	-	1,000
	Members (per person)	-	1,000
Executive Committee	Chairman	-	-
	Non-Executive Director (per person)	-	1,000

(b) Subsidiaries/ Joint Ventures

Name	Position Held	Fee Type	Amount (RM)
Boustead Penang Shipyard Sdn Bhd	Chairman	Directors' Fee (annual) Meeting Allowance – per meeting	45,000 1,000
	Member	Directors' Fee (annual) Meeting Allowance – per meeting	36,000 1,000

4. Ordinary Resolution 6 – Re-appointment of Auditors

The Board and Audit Committee of the Company are satisfied with the quality of service, adequacy of resources provided, communication, interaction skills and independence, objectivity and professionalism demonstrated by the External Auditors, Messrs. Ernst & Young (“EY”) in carrying out their functions. Being satisfied with EY’s performance, the Board recommends their re-appointment for shareholders’ approval at the 47th AGM.

5. Ordinary Resolution 7 – Authority for Directors to Allot Shares

Ordinary Resolution 7, if passed, will give powers to the Directors to allot up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company.

This authority will, unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next AGM.

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

As at the date of this Notice, no new shares were issued pursuant to the authority granted to the Directors at the 46th AGM held on 11 April 2018, the mandate of which will lapse at the conclusion of the 47th AGM to be held on 23 April 2019.

6. Ordinary Resolutions 8 and 9 – Recurrent Related Party Transactions

Ordinary Resolutions 8 and 9, 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.

7. Ordinary Resolutions 10 and 11 – Retention of Independent Directors

The Malaysian Code of Corporate Governance provides that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board as non-independent director. However, if the board intends to retain an independent director beyond nine (9) years, it should provide justification and seek annual shareholders’ approval.

At the 46th AGM held on 11 April 2018, shareholders’ approval was obtained to retain Dato’ Ishak Osman and Abd Malik A Rahman, who have served the Board for more than nine (9) years as Independent Non-Executive Directors. At the 47th AGM to be held on 23 April 2019, shareholders’ approval will be sought for retaining Dato’ Ishak Osman and Abd Malik A Rahman as Independent Non-Executive Directors via Ordinary Resolutions 10 and 11.

The Board through the NC has determined that Dato’ Ishak Osman and Abd Malik A Rahman are fair and impartial in carrying out their duties to the Company. As Directors, they continue to bring independent and objective judgements to Board deliberations and the decision-making process as a whole. They also possess vast professional experience and bring the right mix of skills to the Board. The Board, therefore, endorsed the NC’s recommendation for both Directors to be retained as Independent Directors.

8. Special Resolution 1 – Proposed Amendments to the Constitution of the Company (“Proposed Amendments to Constitution”)

Special Resolution 1, if passed, will give full effect to the Proposed Amendments to Constitution by substituting the existing Constitution with a new set of the Constitution as set out in Appendix A. The proposed amendments will streamline the Company’s Constitution with the new provisions of the Act, amendments made to Main Market Listing Requirements of Bursa Malaysia Securities Berhad and enhance administrative efficiency. The Proposed Amendments to Constitution shall take effect once it has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 47th AGM.

9. Appointment of Proxy

- a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint any person to be his proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
- b) In the case of a Corporation, the proxy should be executed under the hand of a duly authorised officer.
- c) A member of the Company is entitled to appoint more than one proxy to attend and vote at the same meeting in his stead, provided that the member specifies the proportion of his shareholdings to be represented by each proxy.
- d) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account (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.
- e) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, shall be deposited at the office of the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time for holding the Meeting or adjourned Meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
- f) Only members registered in the Record of Depositors as at 12 April 2019 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.
- g) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

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 47th Annual General Meeting of the Company to be held at **Mutiara Ballroom, Ground Floor, Royale Chulan Damansara, 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan** on Tuesday, 23 April 2019 at 2.30 p.m. and at any adjournment thereof and to vote as indicated below:-

	RESOLUTIONS	FOR	AGAINST
1.	ORDINARY RESOLUTION 1		
2.	ORDINARY RESOLUTION 2		
3.	ORDINARY RESOLUTION 3		
4.	ORDINARY RESOLUTION 4		
5.	ORDINARY RESOLUTION 5		
6.	ORDINARY RESOLUTION 6		
7.	ORDINARY RESOLUTION 7		
8.	ORDINARY RESOLUTION 8		
9.	ORDINARY RESOLUTION 9		
10.	ORDINARY RESOLUTION 10		
11.	ORDINARY RESOLUTION 11		
12.	SPECIAL RESOLUTION 1		

Please indicate with a "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this day of 2019

Signature of Member or Common Seal

No. of ordinary shares held:
CDS account no. of authorised nominee:
Proportion of shareholdings First Proxy : _____%
to be represented by proxies Second Proxy: _____%
Contact No.:

Notes:

- Only depositors whose names appear in the Record of Depositors as at 12 April 2019 shall be regarded as members and entitled to attend, speak and vote at the meeting.
- 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.
- 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.
- 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.
- 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.
- 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.
- The instrument appointing a proxy must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, located at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

Fold here

Affix Stamp
Here

Share Registrar of Boustead Heavy Industries Corporation Berhad

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

Fold here

**BOUSTEAD HEAVY INDUSTRIES
CORPORATION BERHAD** 11106-V

17th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia



www.bhic.com.my

CORPORATE GOVERNANCE REPORT

STOCK CODE : 8133
COMPANY NAME : Boustead Heavy Industries Corporation Bhd.
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	The Board of Boustead Heavy Industries Corporation Bhd. ("BHIC" or "the Company") is committed to exhibit high standards of corporate governance. In fulfilling its role as stewards of the Company and its subsidiaries (collectively referred to as the "Group"), the Board is dedicated to discharge its duties with due care, skill and diligence. The key responsibilities of the Directors are as follows: a) Promoting good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour The Board is committed in maintaining the highest standard of ethics and professionalism, and expects the employees to conduct themselves with integrity. The core values of the Group are : - <i>Belonging</i> - <i>Honour</i> - <i>Integrity</i> - <i>Commitment</i> These core values have been formalised and have been abbreviated to "BHIC". These values are always highlighted to employees and continuously fostered throughout their service with the Company. The Board ensures that each employee acknowledges that he has received, read and understood the Code of Ethics & Conduct of the Company. A copy of this Code is made available on the Company's website at http://www.bhic.com.my.

	b) Reviewing and deciding on management’s proposals for the Company, and monitoring its implementation by management Management’s proposals which are reserved for the Board’s approval will be discussed at the Board Meetings, where the Directors have the opportunity to scrutinise the proposal and seek clarification from the Management team. The Executive Directors ensure that Management has taken into account all the appropriate consideration before tabling the proposals to the Board. Any significant updates on the proposals would be updated to the Directors either in the next Board Meeting or in follow-up reports distributed. The day-to-day management of the Group is delegated to the Managing Director and the Senior Management Team. In this respect, the Company is guided by the Limits of Authority which provides the authority limits for corporate, operational, financial and human resource areas. The Limits of Authority determines the respective approving authorities for each transaction, prohibiting unfettered powers for any single individual within the various levels of management. c) Ensuring that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability; The Group’s sustainability initiatives reflect its continuous drive towards maximising opportunities for strong fiscal growth and optimising operational efficiency in tandem with the long term-term value creation based on economic, environmental and social considerations. Details of the Group’s sustainability efforts are set out in its Sustainability Report 2018. d) Supervising and assessing management performance to determine whether the business is being properly managed The Board meets at least four times a year, with additional meetings held as and when required by the Board. Prior to the start of the new financial year, the Board will review and discuss the annual budget and strategic business plans presented by Management, before approving for execution. Key Performance Indicators (KPIs) for the Executive Directors and Senior Management are put in place to ensure Management’s performance is aligned with the Group’s business targets for the year, and also for future medium and long term basis. By the end of the said financial year, the Remuneration Committee will recommend to the Board the appropriate annual increment for Executive Directors and Senior Management, based on the Group’s financial performance and the said executive’s individual performance assessment.
--	---

	e) Ensuring there is a sound framework for internal controls and risk management The Board acknowledges its overall responsibility in maintaining a sound system of internal control to safeguard shareholders' investments and the assets of the Group and for reviewing the adequacy and integrity of the system. Notwithstanding this, due to the limitations that are inherent in any system of internal control, the Group's internal control system is designed to manage risks within tolerable and knowledgeable limits, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Details of the Group's internal controls are set out in its Statement on Risk Management and Internal Control, which is on page 56 to page 62 of the Company's 2018 Annual Report. f) Understanding the principal risks of the Group's business and recognising that business decisions involve the taking of appropriate risks The Board has ensured that the Group has the necessary risk infrastructure encompassing the risk assessment process, organisational oversight and reporting function to instil the appropriate discipline and control for continuous improvement of risk management capabilities. Details of the Group's risk management measures are set out in its Statement on Risk Management and Internal Control, which is on page 56 to page 62 of the Company's Annual Report. g) Ensuring that there is an appropriate risk management framework in place, for management to identify, manage and monitor significant risks The Board has put in place a Risk Management Framework for Management to identify, evaluate manage and monitor significant risks. Details of the Group's Risk Management Framework are set out in its Statement on Risk Management and Internal Control, which is on page 56 to page 62 of the Company's Annual Report h) Ensuring that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and Senior Management The Board seeks to ensure that the members of the Senior Management team are qualified, professional and have sufficient calibre to collectively lead the operations of the Group. The Board takes cognisance that the orderly succession of Senior Management is important to ensure readiness of internal candidates to fill potential positions In this respect, the Group recognises talent development programmes should be put in place
--	--

	to provide opportunities for employees to hone their capabilities and leadership skills. i) Ensuring that the Group has in place procedures to enable effective communication with stakeholders The Board is committed in providing effective and timely communication with its stakeholders. The Group uses a number of formal channels for effective dissemination of information to the public, namely, the Annual Report, announcements to Bursa Malaysia Securities Berhad and media releases. Regular analyst briefings are conducted for stakeholders, whilst the Group's website at http://www.bhic.com.my provides relevant information for investors and other stakeholders. j) Ensuring the integrity of the Company's financial and non-financial reporting The Audit Committee has been entrusted by the Board to ensure the Group's financial and non-financial reporting present a true and fair view of its state of affairs. The Audit Committee meets regularly to review the unaudited financial results, and ensures Management prepares the results and statements in accordance with the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), applicable accounting standards and other relevant regulatory requirements.	
Explanation for departure	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	Tan Sri Dato' Seri Lodin Wok Kamaruddin was the Chairman of the Board during the financial year under review. He resigned on 31 December 2018. His brief profile can be viewed on page 8 of the Company's Annual Report. In his role of Chairman Tan Sri Dato' Seri Lodin provided leadership so that the Board can perform its responsibilities effectively. As provided under the Company's Board Charter, the Chairman is responsible for, among others: • Leading the Board in setting the values and standards of the Company; • Encouraging all Directors to play an active role in Board activities; and • Ensuring the provision of accurate, timely and clear information to Directors. The Chairman together with the Company Secretary sets the agenda of each Board Meeting. He ensures that Directors receive Board papers in a timely manner and that Directors are properly briefed on issues arising in Board meetings. During Board Meetings, the Chairman leads the discussion, allowing sufficient time for deliberations on key issues and complex matters. He also encourages active participation and allows views including dissent to be freely expressed. The Chairman also ensures that every Board resolution is put to vote and the will of majority prevails. The Chairman plays a key role in the conduct of the General Meetings. Besides ensuring the proper flow of resolutions tabled at the meeting, he manages the communication on the floor. He further encourages active participation from shareholders and allows a generous amount of time during the questions and answers session. Subsequent to the financial year end, the Board agreed amongst themselves for Tan Sri Dato' Seri Ahmad Ramli Hj Mohd Nor to chair the Board Meetings, while pending the appointment of Chairman.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The roles of the Chairman and Managing Director are separate and clearly defined and are held by two distinct individuals. During the year under review, Tan Sri Dato’ Seri Lodin Wok Kamaruddin was the Executive Chairman of the Board before stepping down on 31 December 2018, whereas Tan Sri Dato’ Seri Ahmad Ramli Hj Mohd Nor is the Managing Director is entrusted with providing the necessary support for the Chairman.	
		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 Board policies and decisions. The separation of power seeks to facilitate an appropriate balance of power to prevent any single individual from dominating deliberations and the decision-making process.	
		The respective duties and responsibilities of the Chairman and the Managing Director are contained in the Board Charter.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	The Company Secretaries of Boustead Heavy Industries Corporation Bhd. are Ms Lilyrohayu Ab Hamid @ Kassim and Ms Suzana Sanudin. Ms Lilyrohayu is a member of MAICSA whilst Ms Suzana is a Licenced Secretary from Companies Commission of Malaysia. Both are qualified to hold the position under Section 235 of the Companies Act 2016. Both were appointed as the in-house Company Secretary of BHIC on 11 February 2011. The Company Secretaries play an advisory role in supporting the Board to uphold high standards of corporate governance. As a counsel to the Board, they provide the Board with periodic updates regarding regulatory developments and assists the Board in interpreting and applying pertinent corporate governance promulgations such as Capital Markets and Services Act 2007 (Amendment 2012), Companies Act 2016 and MMLR. The Company Secretary also provides support in the facilitating the flow of information to Board. The Company Secretaries additionally serves as a liaison for stakeholders' communication and engagement on corporate governance issues. The role and responsibilities of the Company Secretaries are set out in the Board Charter. The Company Secretaries have a direct functional reporting line to the Chairman and has been accorded with appropriate standing and authority to enable her to discharge her duties in an impartial and effective manner. The appointment or removal of the Company Secretary is the prerogative of the Board. In order to upskill themselves and keep abreast with the latest developments in corporate governance realm, the Company Secretaries had attended relevant training and professional development programmes during the financial year relating to Companies Act 2016, Malaysian Code on Corporate Governance ("MCCG") and MMLR.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	The Board recognises the importance of information supply in promoting informed Board discussions and deliberations. The Chairman, together with Management and Company Secretary, are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings. The Board meets regularly during the year, with the annual meeting diary tentatively made in advance to facilitate Directors' planning. There is a formal schedule of matters (including quarterly financial results, strategic business issues, and the annual business plan) reserved for discussion at the scheduled Board meetings. The notice of the Board meetings is circulated to Board members at least seven days before the meeting and the agenda and Board papers are circulated to the Directors five days before each meeting. The Directors are supplied with Board papers with necessary information that are accurate, clear and comprehensive to enable informed decision making at the Board meetings. In addition, Board members can seek further advice or clarification from Management when required. The deliberations and conclusions of issues discussed in the Board meetings are duly recorded in the Board minutes, the draft of which is circulated for the Chairman's review within a reasonable timeframe after the meeting. The meeting minutes capture the decisions made, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The decisions made at the Board meetings are also communicated to Management in a timely manner to ensure appropriate execution.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter is reviewed periodically and updated in accordance with the needs of the Group to ensure its effectiveness and consistency with the Board's objectives and corporate vision. The Board Charter serves as a primary reference point on governance matters for Directors as well as an induction literature for newly-appointed Directors. The Board Charter addresses, among others, the following matters:- • Role and responsibilities of the Board; • Composition, Board balance and Board diversity; • The role of Chairman and Managing Director; • Supply of information and Board meetings; • Matters reserved for the Board; • Board effectiveness evaluation; • Board Committees; • Financial Reporting; • General Meetings; and • Communication with stakeholders. The Board Charter was last reviewed on 15 February 2018. The Board Charter is accessible for reference on the Group's website, http://www.bhic.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The Board consistently strives to set the “tone at the top” and instil ethical values and standards across every level of the Group. In this regard, the Company has put in place a Code of Ethics and Conduct which subject employees to a set of values and standards of conduct that is expected of them. The Code of Ethics and Conduct serves as a formal commitment by employees to conduct themselves professionally at all times and to do business in a transparent, appropriate and fair manner. The Code of Ethics and Conduct is available on the Group's website at http://www.bhic.com.my. The Code of Ethics and Conduct covers the following overarching areas: • Conducting business ethically, fairly and with honesty; • Complying with laws including abuse of power, corruption, insider trading and money laundering; • Providing quality and safe products; • Protecting the Group's assets and information; • Maintaining complete and accurate business records; and • Respecting others in the workplace and society. All employees of the Group are required to acknowledge that they have received, read and understood the provisions of the Code of Ethics and Conduct. The Board reviews the Code of Ethics and Conduct periodically or as and when the need arises to ensure it is kept contemporaneous.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	The Group is committed in preserving and protecting the interest and reputation at all times. In this respect, the Whistleblowing Policy was established in July 2010. The main objective of the Whistleblowing Policy is to provide an objective point of escalation for employees or stakeholders to disclose in a bona fide manner any suspected acts of wrongdoings without any fear of reprisal. The Whistleblowing Policy provides guidelines for the reporting and the investigation of any wrongdoings. Such misconducts may be reported in writing directly to a dedicated e-mail address, namely, alert@boustead.com.my. The other channels for whistleblowing can also be accessed at http://www.bhic.com.my. The Whistleblowing Policy makes it clear that concerns can be raised without fear of victimisation, recrimination, discrimination or disadvantage to the employee or stakeholder that reports the concerns. The Board together with Management, reviews the Whistleblowing Policy periodically or as and when the need arises to ensure it is kept contemporaneous.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departed
Explanation on application of the practice	:	
Explanation for departure	:	For the period under review, the Board comprised five members, two of whom are Independent Directors as follows : a) En Abd Malik A Rahman b) Dato' Ishak Osman Following the resignation of Tan Sri Dato' Seri Lodin Wok Kamaruddin on 31 December 2018 and appointment of Puan Rozi Baharudin as Independent Director on 2 January 2019, the Board comprised of majority Independent Directors as below:- a) Tan Sri Dato' Seri Ahmad Ramli Hj Mohd Nor (Executive Deputy Chairman) b) En Abd Malik A Rahman (Independent Director) c) Dato' Ishak Osman (Independent Director) d) Datuk Azzat Kamaludin (Non-Independent Director) e) Puan Rozi Baharudin (Independent Director) With more than half of the Board composed of Independent Directors, BHIC is able to facilitate greater checks and balances during boardroom deliberations and decision making. This counterweight allows Independent Directors to encourage, support and drive each other in the value creation and sustainability of the business. The Nominating Committee has assessed the Board composition and acknowledged that the current size and composition of Directors will need to be reviewed to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	En Abd Malik A Rahman and Dato’ Ishak Osman have each served the Board for more than nine years. The Company has sought shareholders’ approval at the Annual General Meeting (“AGM”)for both to continue to serve as Independent Directors on the Board. The latest shareholders’ approval was obtained at the last AGM held on 11 April 2018.	
		The Board recommends that shareholders’ approval be sought at the upcoming AGM for both to continue to act as Independent Directors. The Board have determined that En Abd Malik A Rahman and Dato’ Ishak Osman are fair and impartial in carrying out their duties. The Board is of the opinion that they continue to bring independent and objective judgements to Board deliberations and the decision-making process as a whole. They also possess vast professional experience, display commitment and bring the right mix of skills to the Board.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level. Having a range of diversity dimensions brings different perspectives to the boardroom and to various levels of Management within the Group. The Nominating Committee is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations. In this respect, the role of the Nominating Committee is detailed in its Terms of Reference, which is accessible for reference on the Group's website at http://www.bhic.com.my. In making its recommendations to the Board, the Nominating Committee considers and assess the suitability of a new appointment based on objective criteria, including: • Qualification; • Required competencies, skills, expertise and experience; • Specialist knowledge or technical skills; • Professionalism and integrity; and • Time commitment to the Company.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	For the year under review, the Company does not have any female Director. The appointment of Puan Rozi Baharudin on 2 January 2019 marks a positive development for the Company in making greater strides towards notable gender diversity on the Board The Board is mindful that any gender representation should be in the best interest of the Company. Although the Company has not reached the 30% women representation target at Board level as required for Large Companies, the Board will continue to search for suitable female candidates to fill in the directorship positions. The Company does not have a formalised Board gender diversity policy alongside targets and measures. However, the issue of diversity is discussed and given prominence during deliberations by the Nominating Committee and the Board. The Board will take steps towards formalising such policy, targets and measures to reflect the Company's commitment towards gender diversity.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	The Nominating Committee is responsible for recommending suitable candidates for Directorships to the Board. In undertaking this responsibility, the Nominating Committee leverages on several sources to “cast a wider net” and gain access to a wide pool of potential candidates. The responsibilities of the Nominating Committee in this regard are outlined in its Terms of Reference. In evaluating potential candidates, the Nominating Committee will assess directorship suitability based on objective criteria, including: • Qualification; • Required competencies, skills, expertise and experience; • Specialist knowledge or technical skills; • Professionalism and integrity; and • Time commitment to the Company. In searching for suitable candidates, the Nominating Committee may receive suggestions from existing Board Members, Management, and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms. The Nominating Committee had assessed and agreed to recommend to the Board the appointment of Puan Rozi Baharudin as an Independent Director. The Nominating Committee was satisfied of her independency to carry out the Directorship role. Upon the recommendation by the Nominating Committee, on 2 January 2019, the Board appointed Puan Rozi Baharudin as Director of the Company.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	For the period under review, the Chairman of the Nominating Committee was Datuk Azzat Kamaludin who is a Non-Independent Director of the Board.	
	:	The Board understands that an effective recruitment and evaluation process of Directors is the building block of a high-performing Board. The Board therefore believes that the Senior Independent Director is the most suitable and qualified person to lead the conduct of the process in an objective manner. Subsequently, on 20 February 2019, the Board had formalised the appointment of Dato’ Ishak Osman who is the Senior Independent Director as Chairman of the Nominating Committee. Given that the Senior Independent Director acts as a confidant to other Directors, he is well-placed to oversee the assessment of the Board’s Chairman, taking into account a broad range of perspectives. In addition, Dato’ Ishak Osman acts as a sounding board for the Chairman and serves as an intermediary for the other Directors. He also acts as the point of contact to whom stakeholders’ concerns or queries may be raised.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied	
Explanation on application of the practice	:	MCCG stipulates that a formal and objective annual evaluation should be conducted to determine the effectiveness of the Board. To achieve this, during the year under review the Board engaged an external consultant to facilitate a Board Effectiveness Evaluation (BEE) exercise. The evaluation covered three key areas i.e. Board structure, Board responsibilities and Board operations. The structure of the findings were based on facts, features, feel and future recommendations. Questionnaires were circulated as well as individual interviews held with the Directors and key Senior Management to gather significant insight and feedback. The Board was briefed extensively by the consultants on the process used to identify key issues that warranted the Directors’ attention. Through the BEE, the Board was satisfied with level of commitment of its Directors in fulfilling the Board’s fundamental roles and responsibilities, and there was a suitable environment for constructive deliberation and robust decision-making. The Board will use the recommendations highlighted in the BEE report as part of an ongoing process to enhance Board effectiveness and efficiency.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Presently the Company does not have a formalised remuneration policies and procedures for Directors and Senior Management.	
		The Board will take steps towards formalising such policies and procedures by 2020 to reflect the Company’s commitment to attract and retain Directors and Senior Management personnel of high calibre and talent.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The Board has in place a Remuneration Committee. For the year under review, the Remuneration Committee comprised majority of Non-Executive Directors. The membership of the Remuneration Committee were as below:- a) Tan Sri Dato' Seri Lodin Wok Kamaruddin (Executive Chairman and Chairman of the Remuneration Committee – resigned on 31.12.2018) b) Dato' Ishak Osman (Non-Executive Director) c) En Abd Malik A Rahman (Non-Executive Director) Following the resignation of Tan Sri Dato' Seri Lodin Wok Kamaruddin, the Board had on 20 February 2019 formalised the members of the Remuneration Committee as below:- a) Dato' Ishak Osman (Non-Executive Director and Chairman of the Remuneration Committee) b) En Abd Malik A Rahman (Non-Executive Director) c) Datuk Azzat Kamaludin (Non-Executive Director) d) Puan Rozi Baharudin (Non-Executive Director) The Remuneration Committee's responsibilities include reviewing the remuneration packages, reward structure and fringe benefits applicable to Board and Senior Management, and making the appropriate recommendations to the Board. The Terms of Reference of Remuneration Committee is accessible for reference on the Group's website at http://www.bhic.com.my.
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied																																																																								
Explanation on application of the practice	:	The Board aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Group successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved. The level of remuneration for the Managing Director and Executive Director is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian listed issuers. The Directors remuneration is reviewed once in every four years. The remuneration of Directors is approved by shareholders at the AGM of the Company, as prescribed by the Company’s Constitution and the Companies Act 2016. The details for the remuneration of Directors for the financial year ended 31 December 2018 is set out as below. <table><tr><th>In ‘000</th><th>Company</th><th colspan="6">Group</th></tr><tr><th>Directors</th><th>Fees</th><th>Fees</th><th>Salaries</th><th>Bonuses</th><th>EPF</th><th>BIK#</th><th>Meeting Allowance</th></tr><tr><td colspan="8">Executive Directors</td></tr><tr><td>Tan Sri Dato’ Seri Lodin Wok Kamaruddin*</td><td>90</td><td>135</td><td>-</td><td>-</td><td>-</td><td>-</td><td>10</td></tr><tr><td>Tan Sri Dato’ Seri Ahmad Ramli Hj Mohd Nor</td><td>75</td><td>111</td><td>247</td><td>79</td><td>20</td><td>8</td><td>9</td></tr><tr><td colspan="8">Non-Executive Directors</td></tr><tr><td>Datuk Azzat Kamaludin</td><td>100</td><td>136</td><td>-</td><td>-</td><td>-</td><td>-</td><td>13</td></tr><tr><td>Dato’ Ishak Osman</td><td>100</td><td>136</td><td>-</td><td>-</td><td>-</td><td>-</td><td>15</td></tr><tr><td>Abd Malik A Rahman</td><td>110</td><td>146</td><td>-</td><td>-</td><td>-</td><td>-</td><td>27</td></tr></table> <i>* Board Member until 31 December 2018</i> <i># Benefit in Kind</i>	In ‘000	Company	Group						Directors	Fees	Fees	Salaries	Bonuses	EPF	BIK#	Meeting Allowance	Executive Directors								Tan Sri Dato’ Seri Lodin Wok Kamaruddin*	90	135	-	-	-	-	10	Tan Sri Dato’ Seri Ahmad Ramli Hj Mohd Nor	75	111	247	79	20	8	9	Non-Executive Directors								Datuk Azzat Kamaludin	100	136	-	-	-	-	13	Dato’ Ishak Osman	100	136	-	-	-	-	15	Abd Malik A Rahman	110	146	-	-	-	-	27
In ‘000	Company	Group																																																																								
Directors	Fees	Fees	Salaries	Bonuses	EPF	BIK#	Meeting Allowance																																																																			
Executive Directors																																																																										
Tan Sri Dato’ Seri Lodin Wok Kamaruddin*	90	135	-	-	-	-	10																																																																			
Tan Sri Dato’ Seri Ahmad Ramli Hj Mohd Nor	75	111	247	79	20	8	9																																																																			
Non-Executive Directors																																																																										
Datuk Azzat Kamaludin	100	136	-	-	-	-	13																																																																			
Dato’ Ishak Osman	100	136	-	-	-	-	15																																																																			
Abd Malik A Rahman	110	146	-	-	-	-	27																																																																			

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure													
Explanation on application of the practice	:														
Explanation for departure	:	Remuneration paid to the top five (5) Senior Management for the financial year ended 31 December 2018 are as follows:-													
		<table><tr><th>Top Five Senior Management (not including Executive Directors)</th><th>Number of Senior Management</th></tr><tr><td></td><td></td></tr><tr><td>From RM500,001 to RM600,000</td><td>2</td></tr><tr><td>From RM600,001 to RM700,000</td><td>2</td></tr><tr><td>From RM700,001 to RM800,000</td><td>1</td></tr><tr><td>Total</td><td>5</td></tr></table>		Top Five Senior Management (not including Executive Directors)	Number of Senior Management			From RM500,001 to RM600,000	2	From RM600,001 to RM700,000	2	From RM700,001 to RM800,000	1	Total	5
		Top Five Senior Management (not including Executive Directors)	Number of Senior Management												
		From RM500,001 to RM600,000	2												
		From RM600,001 to RM700,000	2												
From RM700,001 to RM800,000	1														
Total	5														
The remuneration of the top five (5) Senior Management of the Company disclosed above is on an aggregate basis. At this particular juncture, the Board is of the opinion that the disclosure of the Senior Management personnel' names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns.															
The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully. Excessive remuneration payouts are not made to Senior Management personnel in any instance.															
The disclosure of the remuneration of the top five Senior Management of the Company is currently made on an aggregate basis and it allows stakeholders to make an appreciable link between remuneration of Senior Management and the performance of the Group.															
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.															
Measure	:														
Timeframe	:														

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	The Board has established an Audit Committee which is chaired by an Independent Director, En Abd Malik A Rahman who is not Chairman of the Board. As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations. The Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants ("MIA"). The possession of sound financial understanding and experience equips the Chairman of the Audit Committee with the ability to lead discussions and deliberations and ultimately be satisfied that the end result fairly reflects the understanding of the Audit and Compliance Committee. His full profile can be viewed on page 12 of the 2018 Annual Report. The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of Reference of the Audit Committee, which is available on the Company's website at http://www.bhic.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee comprises of three (3) members, majority are independent. At present, none of the Audit Committee members were former key audit partners of the Company's external auditors. As a measure to safeguard the independence and objectivity of the audit process, the Audit Committee has incorporated a policy stipulation that governs the appointment of a former key audit partner to the Audit Committee. The policy, which is codified in the Audit Committee's Terms of Reference, requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as a Committee member.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	The Audit Committee is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor. Under its Terms of Reference, the Audit Committee reviews the suitability, objectivity and independence of the external auditor of the Company on an annual basis. The review process covers the assessment of the independence of the external auditor, the evaluation of the external auditor's performance, quality of work, audit fees and the adequacy of resources. During the financial year under review, the Audit Committee met with the external auditor namely, Messrs. Ernst & Young ("EY"), twice in the absence of Management. The Audit Committee has also monitored and reviewed the performance and independence of EY and was satisfied that the external auditor was independent throughout the conduct of the audit process and the audit services rendered met the quality expected by the Committee. For the audit of the financial year ended 31 December 2018, the Audit Committee was further assured by EY by way of written confirmation that its personnel were and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Pursuant to the assessment on the suitability and independence of the external auditor, the Audit Committee made its recommendation to the Board on the re-appointment on the external auditor alongside the accompanying audit fees.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.

The company's financial statement is a reliable source of information.

Practice 8.4 – Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	The Audit Committee comprised three members as follows: 1) En Abd Malik A Rahman (Chairman of the Audit Committee and Independent Non-Executive Director) 2) Dato' Ishak Osman (Senior Independent Director) 3) Datuk Azzat Kamaludin (Non-Independent Non-Executive Director). Collectively, the Audit Committee possesses a wide range of necessary skills to discharge its duties. All members of the Audit Committee are financially literate, whilst the Chairman of the Audit Committee is a member of MIA, and thus, fulfilling paragraph 15.09(1)(c) of MMLR, which calls for one member of the audit committee to be a member of a professional accountancy body. All members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. During the reporting year, the Audit Committee members had attended various training courses. Details of their training can be seen on pages 53 to 54 of the 2018 Annual Report. During the Audit Committee Meetings, the members were briefed by the external auditor, Messrs. Ernst & Young on the following key areas: • Financial Reporting developments; • Adoption of Malaysian Financial Reporting Standards; • Malaysian Code on Corporate Governance; and • Other changes in regulatory environment.

Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	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 systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. The Group BHIC Enterprise Risk Management (ERM) Framework has been approved by the BOD for implementation across the Group 1. Group Risk Management Department (GRMD) performed an independent risk assessment on new business proposals, major investments or business ventures initiated by the Business Units. 2. Continuous engagement with business and operational units through periodical risk validation exercises. The objective of risk validation exercises is to review the adequacy of risk registers, emerging risks and status of action plan undertaken by the business and operational unit concerned. 3. Implementation of Key Risk Indicator to monitor key risk areas. 4. Risk awareness training and workshop to Business Units to enhance the risks knowledge and to gain understanding on application of risk function from a strategic and operational perspective. 5. Project Risk Management Planning has been emphasized for the betterment of project management practices within the Group. GRMD had facilitated Project Risk Management Workshop on major project undertaken by the Group. 6. Establishing risk incident reporting process within the Group. To improve visibility and escalation of risk incidents. Line up incident management activities and prioritize them accordingly. 7. Develop and enhance Business Continuity Management programme which include Emergency Response Plan, Crisis

	Management Plan, Business Continuity Plan and IT-Disaster Recovery. 8. Conduct simulation exercise with key business units to measure emergency readiness. Details of the Group's Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control, which is on page 56 to page 62 of the 2018 Annual Report.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	The Audit Committee oversees the implementation and effectiveness of the risk management framework. Risk Management is an agenda in the Audit Committee meetings. Focus is on extreme and high-risk categories to ensure effective risk treatments are implemented within the specified timeline. The Group's Enterprise Risk Management Framework adopts ISO 31000:2009 (Risk Management Principles and Guidelines) outlines the guiding principles and key structural elements of risk management practices and activities for the 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 process 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. The Group also established the following SOP to guide the business unit in managing their risks: a) Risk Assessment Procedure. To guide the Division/Business and Functional Units to understand the objectives and process flows of the risk assessment. b) Key Risk Indicators (KRI) Procedure. To guide the Division/Business and Functional Units in establishing appropriate KRIs for monitoring of risk exposure within their areas.

	c) Project Risk Management Plan Preparation Procedure. To guide the project manager and project risk manager in developing the Project Risk Management Plan for specific project undertaken. d) Risk Incidents Reporting Procedure. To provide the Division/Business and Functional Units within the BHIC Group the objectives and process flows of risk incidents reporting. 3. Improve BHIC Group's governance model through resilient leadership, responsible and ethical decision making, management and accountability, and performance improvement. 4. independent risk assessment on new business proposals, major investments or business ventures initiated by the Business Units. 5. Periodical reporting of risk issues through Management Committee and Board Audit Committee.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 – Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not adopted
Explanation on adoption of the practice	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	The internal audit function is carried out by the Group Internal Audit ("GIA") of Boustead Holdings Berhad (immediate holding company), and has direct access to the Board through the Chairman of the Audit Committee and is independent of the activities it audits. GIA's authority, scope and responsibilities are governed by an Internal Audit Charter. The Audit Committee reviews and subsequently approves the Annual Internal Audit Plan and ensures the GIA is accorded with appropriate standing, resources and authority to facilitate the discharge of its duties. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. The GIA provides assurance and recommendations to the Audit Committee on the Group's governance, risk management and internal control systems. The Audit Committee has access to the Head of GIA is able to discuss significant internal audit matters in private, if required.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	The Internal Audit Charter states that the GIA personnel shall have impartial, unbiased attitude and avoid conflicts of interest in carrying out their duties. If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to the Audit Committee. The Head of GIA, along with other internal audit personnel, are free from any family relationship with any Directors and/or major shareholder and do not have any conflict of interest with the Group. The GIA adopts internal audit standards and best practices based on the International Professional Practices Framework (IPPF), promulgated by the Institute of Internal Auditors. At present, there are 36 internal auditors within the GIA with 10 dedicated for BHIC. The number of resources in the GIA is reviewed by the Audit Committee on a quarterly basis to ensure adequacy of resources to undertake the internal audit function. The Head of GIA updates the name and qualification of GIA personnel to the Audit Committee on quarterly basis to ensure competency of the internal audit function. GIA personnel are also encouraged to pursue the Certified Internal Auditor (“CIA”) examination. As of reporting date, there are six (6) CIAs in the GIA. The total expenses incurred for the internal audit work of BHIC during the financial year ended 31 December 2018 was approximately RM472,000 (2017: RM491,000).
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	As stewards of the Company, Directors are accountable to shareholders as well as other stakeholders of the Company for the performance and operations of the Company. As such, the Board endeavours to ensure that communication with stakeholders is conducted in a regular and forthcoming manner. The Board aims to maintain a positive relationship with the different group of stakeholders through active two-way communication, and to promote and demonstrate a high standard of integrity and transparency through timely, accurate and full disclosure and to enhance the stakeholders' understanding of the Group, its core businesses and operations, thereby, enabling investors to make informed decisions in valuing the Company's shares. The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through the Annual Report, announcements to Bursa Malaysia Securities Berhad, media releases, quarterly results analyst briefings, AGM, and the Group website. The Managing Director and Senior Management meet regularly with analysts, institutional shareholders and investors. Interested parties may contact the Investor Relations function at investor_inquiry@bhic.com.my, for enquiries regarding investor relations matters of the Group. BHIC is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. At the AGM, the Managing Director will provide a presentation of the Group's annual operating and financial performance, followed by a Questions and Answers session during which the Chairman encourages shareholders' active participation, including clarifying and questioning the Group's strategic direction, business operations, performance and proposed resolutions. Senior Management of the Group are also present to handle other face-to-face enquires from the shareholders.

Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is gearing up towards adopting an integrated reporting based on globally recognised framework.	
		The Board would like to allow an advocacy period for the awareness of integrated reporting to be better appreciated by Management personnel before it is adopted.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	The Board recognises the AGM as an invaluable platform for shareholders to engage both the Board and Senior Management in a productive dialogue and provide constructive feedback that contributes to the overall performance of the Group. The Board therefore endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the AGM and to facilitate informed decision-making by the shareholders. In this regard, the notice for the upcoming AGM in 2019 was provided to shareholders on 25 March 2019, at least 28 days before the meeting, which will be held on 23 April 2019. This goes above and beyond Section 316(2) of Companies Act 2016 and paragraph 7.15 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad which call for a 21-days' notice period for public companies or listed issuers respectively. The notice for AGM outlines the resolutions to be tabled during the said meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied													
Explanation on application of the practice	:	The Board acknowledges its responsibility to engage shareholders and provide meaningful responses to their questions. In demonstrating this commitment to shareholders, all Directors have attended the previous five (5) AGMs. This is aided by ensuring any general meeting is scheduled in advance to ensure full attendance of the Board. The Chairman of the Board encourages shareholders’ active participation during AGMs and other general meetings by giving sufficient time to the floor during the questions and answers session. The Chairmen of the Board Committees of the Company are as follows:- <table><tr><th>Board Committees</th><th>Chairman</th></tr><tr><td>Audit Committee</td><td>Abd Malik A Rahman</td></tr><tr><td>Nominating Committee</td><td>Datuk Azzat Kamaludin and replaced by Dato’ Ishak Osman on 20 February 2019</td></tr><tr><td>Remuneration Committee</td><td>Tan Sri Dato’ Seri Lodin Wok Kamaruddin and replaced by Dato’ Ishak Osman on 20 February 2019</td></tr><tr><td>Executive Committee</td><td>Tan Sri Dato’ Seri Lodin Wok Kamaruddin and replaced by Tan Sri Dato’ Seri Ahmad Ramli Hj Mohd Nor on 20 February 2019</td></tr><tr><td>Risk & Sustainability Committee</td><td>Dato’ Ishak Osman appointed on 20 February 2019</td></tr></table> The Chairmen of respective Committees were present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Committees.		Board Committees	Chairman	Audit Committee	Abd Malik A Rahman	Nominating Committee	Datuk Azzat Kamaludin and replaced by Dato’ Ishak Osman on 20 February 2019	Remuneration Committee	Tan Sri Dato’ Seri Lodin Wok Kamaruddin and replaced by Dato’ Ishak Osman on 20 February 2019	Executive Committee	Tan Sri Dato’ Seri Lodin Wok Kamaruddin and replaced by Tan Sri Dato’ Seri Ahmad Ramli Hj Mohd Nor on 20 February 2019	Risk & Sustainability Committee	Dato’ Ishak Osman appointed on 20 February 2019
	Board Committees	Chairman													
	Audit Committee	Abd Malik A Rahman													
	Nominating Committee	Datuk Azzat Kamaludin and replaced by Dato’ Ishak Osman on 20 February 2019													
	Remuneration Committee	Tan Sri Dato’ Seri Lodin Wok Kamaruddin and replaced by Dato’ Ishak Osman on 20 February 2019													
Executive Committee	Tan Sri Dato’ Seri Lodin Wok Kamaruddin and replaced by Tan Sri Dato’ Seri Ahmad Ramli Hj Mohd Nor on 20 February 2019														
Risk & Sustainability Committee	Dato’ Ishak Osman appointed on 20 February 2019														
Explanation for departure	:														
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.															
Measure	:														
Timeframe	:														

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate—

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	At present, the Company does not leverage on technology to facilitate voting in absentia and remote shareholders' participation at General Meetings. However, the Board will monitor development in this area for future consideration. The location of the General Meetings have always been held in the Klang Valley at locations which are accessible by public transport. The upcoming 47th AGM on 23 April 2019 will be held at Royale Chulan Damansara, Petaling Jaya. The said hotel and the surrounding commercial premises have ample parking space, and the venue is within walking distance from the Mutiara Damansara Mass Rapid Transit (MRT) station. The AGM venue has been the same since 2013. A shareholder of the Company can vote in person or appoint a proxy to attend and vote on his/her behalf. Voting at the AGM is by poll and the Company utilises an electronic voting system to expedite the voting and facilitate the tabulation process in a seamless manner.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

Click or tap here to enter text.