



Boustead Heavy Industries Corporation Berhad

# TOWARDS RE<sup>IN</sup>VENTION



ANNUAL REPORT 2020



A member of Boustead Group

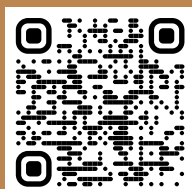


## TOWARDS REINVENTION

The cover of this Annual Report symbolises BHIC's efforts to reinvent itself into a high performing organisation amid challenging economic and business landscape and increasingly digitalised world. This aligns well with the Reinventing Boustead strategy which encourages business performance, transparency and strong corporate governance across the Boustead Group. To this end, we have identified several areas to improve our bottom line which include strengthening corporate governance, boosting revenue generation and improving collection management.



### SCAN ME



The soft copy of Boustead Heavy Industries Corporation Berhad Annual Report 2020 is available on our website. Scan the code on this page with your smartphone to access the report.

### ONLINE VERSION



[https://www.bhic.com.my/  
investor-centre-reports.php](https://www.bhic.com.my/investor-centre-reports.php)

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# 49<sup>th</sup>

## ANNUAL GENERAL MEETING



**Wednesday, 23 June 2021**  
9.30 a.m.



**Broadcast Venue**  
Royale Chulan Kuala Lumpur  
5, Jalan Conlay, Kuala Lumpur  
50450 Kuala Lumpur



# OVERVIEW



## VISION

The Leading Maritime And Defence Solutions Provider



## MISSION

To Deliver Products And Services Meeting Quality, Time And Cost Objectives To Maximise Stakeholders Returns



## WHO WE ARE

Boustead Heavy Industries Corporation Berhad (BHIC) is a company with diverse interests in the defence/security and marine sectors, namely in the following areas:



Shipbuilding of naval and commercial vessels



Ship repair including Maintenance, Repair and Overhaul (MRO) of military, paramilitary, commercial and private vessels



MRO of electronics, electrical and control systems, engines, communication equipment and weaponry



Manufacturing of aerospace components



MRO of helicopters and submarines



Management of Integrated Logistics Support



Maritime and aviation training

## OUR CORE VALUES



BELONGING



HONOUR



INTEGRITY



COMMITMENT

Simulation Center in Subang, Selangor operated by Airbus Helicopters Simulation Center Sdn Bhd, our JV company with Airbus Helicopters Malaysia, which provides simulator training for Airbus Helicopters H225/H225M

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)**

Non-Independent Non-Executive Chairman

### **Rozi Baharudin**

Senior Independent Non-Executive Director

### **Tan Sri Dato' Wira Aziah Ali**

Independent Non-Executive Director

### **Dato' Maznah Abdul Jalil**

Non-Independent Non-Executive Director

### **(Dr.) Salihin Abang**

Independent Non-Executive Director

### **Hajah Saadatul Nafisah Bashir Ahmad**

Independent Non-Executive Director

### **Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)**

Independent Non-Executive Director

### **Izaddeen Daud**

Non-Independent Non-Executive Director

### **Datuk Norliza Abdul Rahim**

Independent Non-Executive Director  
(Appointed on 1 September 2020)

### **Dato' Sri Mohammed Shazalli Ramly** Non-Independent Non-Executive Director

(Appointed on 4 March 2021)

### **Fahmy Ismail**

Non-Independent Non-Executive Director

(Resigned on 11 June 2020 and Re-Appointed on 4 March 2021)

### **Admiral Tan Sri Dato Seri Panglima (Dr.) Ahmad Kamarulzaman Ahmad Badaruddin (Retired)**

Independent Non-Executive Director  
(Retired on 21 July 2020)

## REGISTERED OFFICE

17<sup>th</sup> 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

17<sup>th</sup> 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  
Malayan Banking Berhad  
Maybank Investment Bank Berhad  
MBSB Bank Berhad

## BOARD COMMITTEES

### **AUDIT COMMITTEE**

(Dr.) Salihin Abang – Chairman  
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)  
Tan Sri Dato' Wira Aziah Ali  
Hajah Saadatul Nafisah Bashir Ahmad

### **NOMINATING & REMUNERATION COMMITTEE**

Rozi Baharudin – Chairman  
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)  
Hajah Saadatul Nafisah Bashir Ahmad  
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)

### **RISK COMMITTEE**

Izaddeen Daud – Chairman  
Dato' Maznah Abdul Jalil  
(Dr.) Salihin Abang  
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)

### **SUSTAINABILITY COMMITTEE**

Tan Sri Dato' Wira Aziah Ali – Chairman  
Dato' Maznah Abdul Jalil  
Hajah Saadatul Nafisah Bashir Ahmad  
Izaddeen Daud

## EXECUTIVE COMMITTEE

Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired) – Chairman  
Rozi Baharudin  
(Dr.) Salihin Abang  
Tan Sri Dato' Wira Aziah Ali  
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)

## CHIEF EXECUTIVE OFFICER

Sharifuddin Md. Zaini Al-Manaf

## COMPANY SECRETARIES

Rozana Ismail  
(SSM PC No: 201908003365)  
(LS 0008847)  
Suzana Sanudin  
(SSM PC No: 201908002589)  
(LS 0008028)

## AUDITORS

Ernst & Young PLT  
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

Main Market Bursa Malaysia Securities Berhad  
Stock Name BHIC  
Stock Code 8133

## WEBSITE

www.bhic.com.my



## FACTS AT A GLANCE

REVENUE **RM 145**  **MILLION**



LOSS  
BEFORE  
TAXATION

RM **33**  
**MILLION**

**TOTAL  
EQUITY**

RM  
**65**  
**MILLION**

**TOTAL  
ASSETS**



RM  
**421**  
**MILLION**

EMPLOYEES



**1,427**

**NET ASSETS  
PER SHARE**

**26**  
**SEN**

# FINANCIAL CALENDAR

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## ANNUAL GENERAL MEETING

23 June 2021

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## ANNUAL REPORT

Issued  
31 May 2021

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## FINANCIAL YEAR

1 January to  
31 December 2020

## RESULTS

Announcement of Financial Results  
for the financial year ended  
31 December 2020

First Quarter ended 31 March 2020  
**Announced on 10 June 2020**

Second Quarter ended 30 June 2020  
**Announced on 19 August 2020**

Third Quarter ended 30 September 2020  
**Announced on 19 November 2020**

Fourth Quarter ended 31 December 2020  
**Announced on 31 March 2021**



## FIVE-YEAR FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017	2016
<b>FINANCIAL PERFORMANCE</b>					
Revenue	145,200	168,920	169,113	277,647	307,518
(Loss)/Profit before taxation	(32,773)	(113,514)	(104,615)	11,770	82,208
(Loss)/Profit after taxation	(50,579)	(116,636)	(108,326)	10,576	80,507
(Loss)/Profit attributable to shareholders	(50,579)	(116,636)	(108,326)	10,576	76,696
(Loss)/Earnings per share sen	(20.36)	(46.94)	(43.60)	4.26	30.87
<b>DIVIDENDS</b>					
Dividend for the year	–	–	3,727	12,423	–
Net dividend per share sen	–	–	1.50	5.00	–
<b>GEARING</b>					
Borrowings	291,066	301,186	273,591	227,817	254,233
Gearing times	4.45	2.60	1.18	0.66	0.73
<b>OTHER FINANCIAL STATISTICS</b>					
Net assets per share sen	26	47	94	139	139
Shareholders' equity	65,400	115,979	232,615	344,668	346,515
Total equity	65,400	115,979	232,615	344,668	346,515
Total assets	421,498	468,970	581,254	660,805	719,422

All figures are in RM'000 unless otherwise stated.

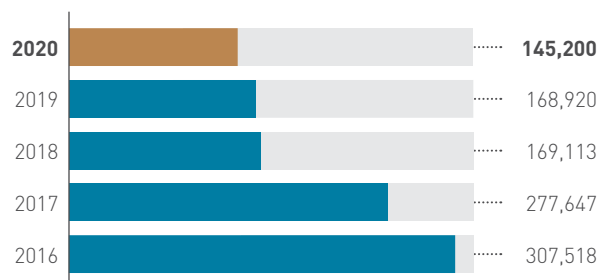




# FIVE-YEAR FINANCIAL HIGHLIGHTS

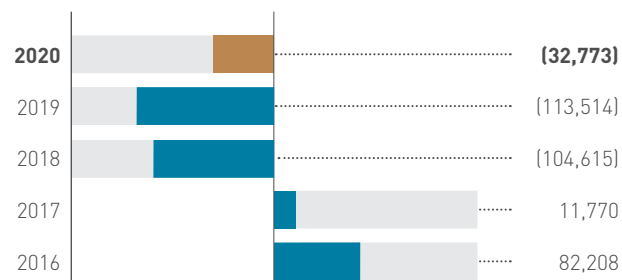
## REVENUE

(RM'000)



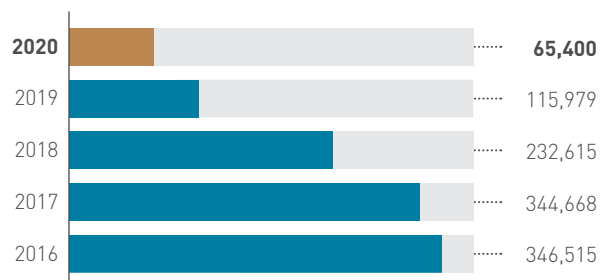
## PROFIT/(LOSS) BEFORE TAXATION

(RM'000)



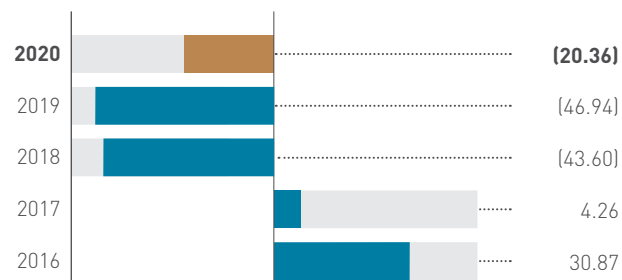
## SHAREHOLDERS' EQUITY

(RM'000)



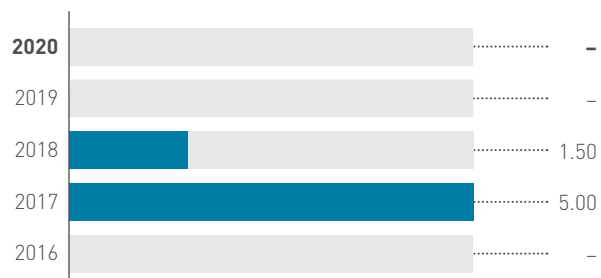
## EARNINGS/(LOSS) PER SHARE

(Sen)



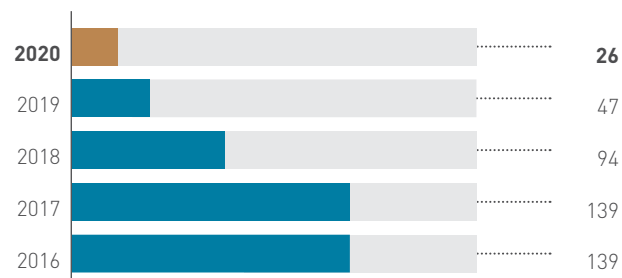
## DIVIDEND PER SHARE

(Sen)



## NET ASSETS PER SHARE

(Sen)





## BOARD OF DIRECTORS



**1. TAN SRI DATO' WIRA AZIAH ALI**

Independent  
Non-Executive  
Director

**2. ROZI BAHARUDIN**

Senior  
Independent  
Non-Executive  
Director

**3. HAJAH SAADATUL NAFISAH BASHIR AHMAD**

Independent  
Non-Executive  
Director

**4. ADMIRAL TAN SRI DATO' SERI RAMLAN MOHAMED ALI (RETIRED)**

Non-  
Independent  
Non-Executive  
Chairman

**5. (Dr.) SALIHIN ABANG**

Independent  
Non-Executive  
Director

**6. VICE ADMIRAL DATO' SYED ZAHIRUDDIN PUTRA SYED OSMAN (RETIRED)**

Independent  
Non-Executive  
Director



**7. DATUK NORLIZA  
ABDUL RAHIM**  
Independent  
Non-Executive  
Director

**8. IZADDEEN DAUD**  
Non-Independent  
Non-Executive  
Director

**9. DATO' MAZNAH  
ABDUL JALIL**  
Non-Independent  
Non-Executive  
Director

**10. DATO' SRI  
MOHAMMED  
SHAZALLI  
RAMLY**  
Non-  
Independent  
Non-Executive  
Director

**11. FAHMY ISMAIL**  
Non-  
Independent  
Non-Executive  
Director



# BOARD AT A GLANCE

## BOARD COMPOSITION



01

Non-Independent  
Non-Executive  
Chairman

06

Independent  
Non-Executive  
Directors

04

Non-Independent  
Non-Executive  
Directors



06



05

The gender composition of BHIC's Board of Directors reflects our commitment to the Malaysian Code of Corporate Governance to have at least a third of the Board comprising women

# 55%

The Board comprises  
55% Independent  
Non-Executive  
Directors



The Chairman of the Board  
is a Non-Independent  
Non-Executive Director



The positions of the  
Chairman of the Board  
and the Chief Executive  
Officer of BHIC are held  
by different individuals



## PROFILE OF DIRECTORS



**ADMIRAL TAN SRI DATO' SERI  
RAMLAN MOHAMED ALI (Retired)**

Non-Independent  
Non-Executive Chairman

### Nationality/Age/Gender

Malaysian

69

Male

### Date of Appointment

10 July 2019

### Length of Service

2 years

### Date of last Re-election

21 July 2020

### Board Meeting attended in the financial year

17/17

### Board Committee(s)

- Member of Audit Committee
- Member of Nominating & Remuneration Committee
- Member of Sustainability Committee (until 18 August 2020)
- Chairman of Executive Committee (until 22 May 2020)

### Working Experience:

- 1970 to 2008 – Royal Malaysian Navy (Retired as Chief of Navy).
- 1970-Britannia Royal Naval College, Dartmouth, United Kingdom
- 2009 to present – Director in various private companies within BHC Group

### Qualification:

- Master of Science in Engineering Business Management, University of Warwick, United Kingdom
- Advanced Diploma in Engineering Business Management, Universiti Teknologi Malaysia

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

- 2,000 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



## PROFILE OF DIRECTORS



**ROZI BAHARUDIN**

Senior Independent  
Non-Executive Director

### Working Experience:

- 1988 to 1992 – Head, Human Resource Consultancy Division, KPMG Peat Marwick
- 1990 (May to August) – Seconded to KPMG Peat Marwick, London, United Kingdom
- 1992 to 1996 – Partner, PA Consulting Group, Malaysia
- 1996 to 1998 – Chief Executive Officer and Partner, ASPAC Human Resource Consulting
- 1999 to 2018 – General Manager, Human Capital and Administration, Indah Water Konsortium Sdn Bhd

- Attended short management courses at the Institute for Management Development, Lausanne, Switzerland (June 2004), The Institute of Labour Relations, Cornell University, New York, USA (October 2007) and The Said Business School, Oxford University, United Kingdom (July 2014).

### Qualification:

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

### 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

### 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

### Nationality/Age/Gender

Malaysian

63

Female

### Date of Appointment

2 January 2019

### Length of Service

2 years 6 months

### Date of last Re-election

21 July 2020

### Board Meeting attended in the financial year

17/17

### Board Committee(s)

- Chairman of Nominating & Remuneration Committee
- Member of Executive Committee (until 22 May 2020)
- Member of Austerity Committee

**TAN SRI DATO' WIRA AZIAH ALI**

Independent  
Non-Executive Director

**Nationality/Age/Gender**

Malaysian

68

Female

**Date of Appointment**

10 July 2019

**Length of Service**

2 years

**Date of last  
Re-election**

21 July 2020

**Board Meeting  
attended in the  
financial year**

16/17

**Board  
Committee(s)**

- Member of Audit Committee
- Chairman of Sustainability Committee
- Member of Austerity Committee
- Member of Finance Committee
- Member of Executive Committee (until 22 May 2020)

**Working Experience:**

- Tan Sri Dato' Wira Aziah has vast experience in law and served the Government of Malaysia for over 40 years in various position in the judiciary including Legal Advisor, Judicial Commissioner, High Court Judge and Court of Appeal Judge. She was elevated as a Federal Court Judge on 21 March 2016 and retired on 22 November 2018
- September 2020 to present – Member Securities Industries Dispute Resolution Centre Appeals Committee
- 1 November 2020 to present – Commissioner, Enforcement Agency Integrity Commission

**Qualification:**

- 1976 – Bachelor of Law (Honours), Universiti Malaya

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

- Nil

**Directorship in other public listed  
companies:**

- Boustead Plantations Berhad

**Directorship in public companies:**

- Wasiyyah Shopee Berhad

**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



## PROFILE OF DIRECTORS



**DATO' MAZNAH ABDUL JALIL**

Non-Independent  
Non-Executive Director

### Nationality/Age/Gender

Malaysian

68

Female

### Date of Appointment

10 July 2019

### Length of Service

2 years

### Date of last Re-election

21 July 2020

### Board Meeting attended in the financial year 17/17

### Board Committee(s)

- Member of Risk Committee
- Member of Sustainability Committee
- Member of Audit Committee (until 18 August 2020)
- Member of Finance Committee

### Working Experience:

- 1979 to 1992 – Manager, Corporate Finance & Advisory, Amanah Merchant Bank Berhad
- 1992 to 1995 – Executive Director, Corporate Affairs, Master-Carriage (Malaysia) Sdn Bhd
- 1995 to 2006 – Senior Group Director, Corporate Finance & Advisory, DRB-Hicom Berhad
- 1996-2006 – Board Member, Universiti Teknologi Malaysia
- 2007 to 2009 – Head, Corporate Finance & Principal Investment, Hong Leong Financial Group
- 2009 to June 2011 – Executive Vice President, Kenanga Investment Bank Berhad
- 2012 to November 2019 – Director/Chairman, Awanbiru Technology Berhad (Formerly known as Prestariang Berhad)
- 2018 to April 2020 – Director, FELCRA Berhad
- 2013 to 2016 – Executive Director and Chief Financial Officer, SONA Petroleum Berhad
- 2011 to present – Director, Pavilion Reit Management Sdn Bhd
- 2017 to present – Director, OPUS Asset Management Sdn Bhd
- 2018 to present – Director, Lembaga Tabung Angkatan Tentera
- March 2019 to present – Director, Innature Berhad
- November 2019 to present – Director, Malayan Flour Mill Berhad

### Qualification:

- 1979 – Master of Science in Business Administration (Finance) - Central Michigan University, USA
- 1977 – Bachelor of Science in Business Administration (Finance) - Northern Illinois University, USA

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

- Nil

### Directorship in other public listed companies:

- Malayan Flour Mill Berhad
- Innature Berhad

### 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



**(DR.) SALIHIN ABANG**

Independent  
Non-Executive Director

**Nationality/Age/Gender**

Malaysian

48

Male

**Date of Appointment**

10 July 2019

**Length of Service**

2 years

**Date of last  
Re-election**

21 July 2020

**Board Meeting  
attended in the  
financial year**

17/17

**Board  
Committee(s)**

- Chairman of Audit Committee
- Member of Risk Committee
- Member of Sustainability Committee (until 18 August 2020)
- Member of Finance Committee
- Member of Executive Committee (until 22 May 2020)

**Working Experience:**

- 2002 to present – Founder & Managing Partner – Salihin Chartered Accountants (AF 1426)

**Qualification:**

- 1997 – Bachelor of Accounting, University Islam Antarabangsa Malaysia
- 2000 – Chartered Accountant, Malaysian Institute of Accountants
- 2003 – Certified Financial Planner, Financial Planning Association of Malaysia
- 2007 – Fellow, Chartered Tax Institute of Malaysia
- 2008 – Master of Science in Accounting, University Islam Antarabangsa Malaysia
- 2011 – ASEAN Senior Management Development Program, Harvard Business School Alumni Club of Malaysia
- 2017 – ASEAN Chartered Professional Accountant (ACPA)
- 2017 – Fellow, International Accountant, Association of International Accountants (United Kingdom)
- 2017 – Honorary Member, Institute of Cooperative and Management Auditors

- 2018 – Honorary Doctorate Degree in Management, University Malaysia Terengganu
- 2020 – Certified Public Accountant, Malaysian Institute of Certified Public Accountants

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

- Nil

**Directorship in other public listed  
companies:**

- Bintulu Port Holdings Berhad
- G3 Global Berhad

**Directorship in public companies:**

- Wasiyyah Shoppe Berhad

**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



## PROFILE OF DIRECTORS



**HAJAH SAADATUL NAFISAH  
BASHIR AHMAD**

Independent  
Non-Executive Director

### Nationality/Age/Gender

Malaysian

66

Female

### Date of Appointment

10 July 2019

### Length of Service

2 years

### Date of last Re-election

21 July 2020

### Board Meeting attended in the financial year 17/17

### Board Committee(s)

- Member of Audit Committee
- Member of Nominating & Remuneration Committee
- Member of Sustainability Committee
- Chairman of Finance Committee

### Working Experience:

- 1979 to 2016 – Government of Malaysia (Retired as Director of Government Audit Sector in the National Audit Department of Malaysia)
- 2016 to 2018 – Audit Committee Member and Investment and Integrity Committee Member, Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM)
- 2016 to 2019 – International Consultant, Asian Development Bank

### Qualification:

- 1978 – Diploma in Accountancy, Institut Teknologi MARA
- 1987 – Degree in Accountancy, Institut Teknologi MARA
- 1987 – Chartered Accountant, The Malaysian Institute of Accountants
- 1993 – Diploma in Taxation, HELP University, Malaysia
- 1998 – Master of Commerce (International Accounting & Finance), University of Wollongong, 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

### 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



**VICE ADMIRAL DATO' SYED  
ZAHIRUDDIN PUTRA SYED  
OSMAN (Retired)**

Independent  
Non-Executive Director

#### Nationality/Age/Gender

Malaysian

62

Male

#### Date of Appointment

21 August 2019

#### Length of Service

1 year 10 months

#### Date of last Re-election

21 July 2020

#### Board Meeting attended in the financial year

17/17

#### Board Committee(s)

- Member of Nominating & Remuneration Committee
- Member of Risk Committee
- Member of Executive Committee (until 22 May 2020)

#### Working Experience:

- 1977 to 2019 – Royal Malaysian Navy (retired as Joint Force Commander)

#### Qualification:

- 1978 – Royal Navy Midshipman Training, Britannia Royal Naval College, Dartmouth, United Kingdom
- 1996 – Indonesian Navy Command and Staff Course, Indonesian Naval Staff and Command College, Jakarta, Indonesia
- 1998 – Master in Human Resource Management, University of New South Wales, Australia
- 1998 – Diploma in Executive Business Management, Universiti Teknologi Malaysia
- 2001 – Indonesia National Resilience Institute (LEMHANAS), Jakarta, Indonesia
- 2009 – Senior International Defense Planning & Management Program, Monterey, United States of America

#### 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

#### 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



## PROFILE OF DIRECTORS



**IZADDEEN DAUD**

Non-Independent  
Non-Executive Director

### Nationality/Age/Gender

Malaysian

52

Male

### Date of Appointment

11 June 2020

### Length of Service

Less than 1 year

### Date of last Re-election

21 July 2020

### Board Meeting attended in the financial year

6/10, as Encik Izaddeen Daud was appointed to the Board on 11 June 2020

### Board Committee(s)

- Chairman of Risk Committee
- Member of Sustainability Committee

### Working Experience:

- 1991 – Auditor, Ernst & Young
- 1992 – Senior Officer, Oriental Bank Berhad
- 1992 to 1998 – Senior Manager, Perwira Affin Merchant Bank Berhad
- 1999 to 2007 – Assistant Vice President, Permodalan Nasional Berhad
- 2007 to 2008 – Chief Executive Officer, ASM Investment Services Berhad
- 2008 to 2009 – Managing Director, MARA Incorporated
- 2013 to January 2021 – Executive Chairman, E&E Gas Sdn Bhd
- July 2020 to February 2021 – Executive Director, Group Business Development, Boustead Holdings Berhad (BHB)
- November 2020 to present – Acting CEO, Boustead Properties Berhad
- 1 March 2021 to present – Deputy Group Managing Director, BHB

### Qualification:

- Certified Financial Planner, Financial Planning Association of Malaysia
- Fellow Member, Institute of Public Accountant, Australia
- B.Sc (Hons) Accounting and Law, De Monfort University, Leicester, United Kingdom

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

- Nil

### Directorship in other public listed companies:

- Boustead Holdings Berhad
- Olympia Industries Berhad
- Pharmaniaga Berhad
- Boustead Plantations Berhad

### Directorship in public companies:

- Boustead Properties Berhad

### 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



**DATUK NORLIZA ABDUL RAHIM**

Independent  
Non-Executive Director

**Nationality/Age/Gender**

Malaysian

52

Female

**Date of Appointment**

1 September 2020

**Length of Service**

10 months

**Date of last  
Re-election**

–

**Board Meeting  
attended in the  
financial year**

5/5, as Datuk Norliza Abdul Rahim was appointed to the Board on 1 September 2020

**Board  
Committee(s)**

- Chairman of Austerity Committee

**Working Experience:**

- 1996 to present – General Manager, Prime View Sdn Bhd
- 2015 to 31 July 2018 – Chairman, Mutiara.Com Sdn Bhd
- 2013 to 31 July 2018 – Director, JKP Sdn Bhd
- 2011 to 2017 – Member of the Upper House (Senator)
- 2009 to current – Director, Koperasi Melayu Bukit Gelugor, Pulau Pinang
- 2018 to 2021 – Member, UMNO Supreme Council

**Qualification:**

- Bachelor of Commerce and Management (Majoring Accounting), Lincoln University, USA
- Diploma in Accountancy, Ungku Omar Polytechnic
- 2021 – Master of Business Administration in Accounting, Lincoln University, USA

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

- Nil

**Directorship in other public listed  
companies:**

- KUB Malaysia Berhad

**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



## PROFILE OF DIRECTORS



**DATO' SRI MOHAMMED  
SHAZALLI RAMLY**

Non-Independent  
Non-Executive Director

### Nationality/Age/Gender

Malaysian

59

Male

### Date of Appointment

4 March 2021

### Length of Service

Less than 1 year

### Date of last Re-election

–

### Board Meeting attended in the financial year

None, as Dato' Sri  
Mohammed Shazalli  
Ramly was appointed  
to the Board on  
4 March 2021

### Board Committee(s)

• Nil

### Working Experience:

- 1987 to 1993 – Group Brand Manager, Unilever Malaysia
- 1993 to 1996 – Group Brand International Marketing Manager, Malaysian Tobacco Company Kuala Lumpur and British American Tobacco United Kingdom
- 1996 to 1997 – Marketing Director, ASTRO
- 1998 to 2005 – Chief Executive Officer, NTV7
- 2005 to 2016 – Chief Executive Officer and Director, Celcom Axiata Berhad
- 2016 to 2017 – Regional Chief Executive Officer (Indonesia, Cambodia and Singapore) and Corporate Executive Vice President, Axiata Group Berhad
- April 2017 to June 2018 – Managing Director/Chief Executive Officer, Telekom Malaysia Berhad
- 2018 to 2020 – Consultant, Strategic Brand Resources & Consultancy, Malaysia
- December 2020 to present – Group Managing Director, Boustead Holdings Berhad

### Qualification:

- Master of Business Administration, St. Louis University, Missouri, USA
- Bachelor of Science (Marketing), Indiana University Bloomington, Indiana, USA

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

- Nil

### Directorship in other public listed companies:

- Pharmaniaga Berhad
- Boustead Holdings Berhad

### 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

**FAHMY ISMAIL**

Non-Independent  
Non-Executive Director

**Nationality/Age/Gender**

Malaysian

44

Male

**Date of Appointment**

4 March 2021

**Length of Service**

Less than 1 year

**Date of last Re-election**

–

**Board Meeting attended in the financial year**

5/7, as Fahmy Ismail resigned on 11 June 2020 and was re-appointed to the Board on 4 March 2021

**Board Committee(s)**

- Member of Risk Committee (until 11 June 2020)

**Working Experience:**

- 1999 to 2005 – Began his career as a management trainee and assumed several finance roles within the Renong Group, ranging from accounting, performance reporting, treasury and corporate finance. Last held position prior to joining Boustead Holdings Berhad (BHB) was Assistant Manager, Corporate Finance for SapuraCrest Petroleum Berhad
- 2006 – Manager, Corporate Planning Department, BHB
- 2009 – Chief Executive Officer (CEO), Boustead REIT Managers Sdn Bhd, the Manager of Al-Hadharah Boustead REIT
- 2014 to May 2018 – CEO, Boustead Plantations Berhad
- January 2019 to July 2020 – Chief Operating Officer, BHB
- 2017 to present – Group Finance Director, BHB

**Qualification:**

- 1998 – Bachelor of Commerce in Accounting and Finance, University of Sydney, Australia
- 2003 – Certified Practising Accountant, CPA Australia
- 2003 – Chartered Accountant, Malaysian Institute of Accountants

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

- Nil

**Directorship in other public listed companies:**

- Pharmaniaga Berhad
- Boustead Plantations Berhad

**Directorship in public companies:**

- MHS Aviation Berhad
- Boustead Properties Berhad

**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



## SENIOR MANAGEMENT TEAM



**1. Ir. AZHAR JUMAAT**  
LCS Programme  
Director

**2. MOHD FAKHRUL ARIFIN ADINAN**  
Acting Chief  
Financial Officer

**3. SHARIFUDDIN MD. ZAINI AL-MANAF**  
Chief Executive  
Officer

**4. LOW KOK CHIANG**  
Chief Operating  
Officer  
BOUSTEAD  
NAVAL  
SHIPYARD  
SDN BHD

**5. Ir. HAIRUTDIN AYOB**  
LMS Programme  
Director



## PROFILE OF SENIOR MANAGEMENT TEAM



### Nationality/Age/Gender

Malaysian | 51 | Male

### Date of appointment to present position

1 April 2020

### Length of Service

1 year 2 months

### SHARIFUDDIN MD. ZAINI AL-MANAF

Chief Executive Officer

#### Working experience:

- 2001 to 2004 – Head of LPG Business, Shell Gas Brunei
- 2004 to 2005 – Supply Chain Manager – Malaysia & Singapore, Shell Gas Malaysia
- 2005 – 2007 – Country Business Manager – Malaysia, Singapore & Indonesia, Shell Bitumen
- 2007 to 2009 – General Manager, Global Supply & Trading, Petrofield (M) Sdn Bhd
- 2009 to 2014 – Director & Country Manager, Petrolink Energy Services Sdn Bhd
- 2016 to 2020 – Chief Executive Officer, Orkim Sdn Bhd
- 2020 to present – Chief Executive Officer, BHIC

#### Qualification:

- 1994 – Bachelor of Engineering (Honours) in Aeronautical Engineering, Imperial College London, United Kingdoms

#### Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad (“the Company”)

- Nil

#### Directorship in other public listed companies

- Nil

#### Directorship in public companies

- Nil

#### Family relationship with any director and/ 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:

- No



## PROFILE OF SENIOR MANAGEMENT TEAM



### Nationality/Age/Gender

Malaysian | 46 | Male

### Date of appointment to present position

1 May 2020

### Length of Service

1 year

### LOW KOK CHIANG

Chief Operating Officer

Boustead Naval Shipyard Sdn Bhd

#### Working experience:

- 1999 to 2011 – Senior Project Manager, Keppel, Singapore
- 2011 to 2016 – Assistant General Manager (Offshore/Marketing), PaxOcean Marine and Offshore Pte Ltd, Singapore
- 2016 to 2019 – Senior Manager (Commercial), Singapore Technology Engineering Marine Ltd, Singapore
- 2019 to 2020 – Assistant General Manager (Commercial), Asian Sealand Offshore and Marine Pte Ltd, Singapore
- 2020 to present – Chief Operating Officer, Boustead Naval Shipyard Sdn Bhd

#### Qualification:

- 1994 to 1997 – Diploma in Shipbuilding and Offshore Engineering, Ngee Ann Polytechnic, Singapore
- 1997 to 1998 – Advanced Diploma in Naval Architecture and Offshore Technology, Ngee Ann Polytechnic, Singapore
- 1998 to 1999 – Bachelor of Engineering in Naval Architecture and Offshore Technology, University of Strathclyde, Scotland
- 2004 to 2006 – Master Science in Marine Technology, University of Newcastle Upon Tyne, England

#### Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad ("the Company")

- Nil

#### Directorship in other public listed companies

- Nil

#### Directorship in public companies

- Nil

#### Family relationship with any director and/ 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:

- No


**Nationality/Age/Gender**

Malaysian | 37 | Male

**Date of appointment to present position**

1 November 2019

**Length of Service**

7 years

**MOHD FAKHRUL ARIFIN ADINAN**

Acting Chief Financial Officer

**Working experience:**

- 2005 to 2012 – Ernst & Young PLT (Last position: Audit Manager)
- 2012 to 2014 – Teluk Datai Resort Sdn Bhd (Last position: Assistant Vice President, Finance)
- 2014 to 2019 – Financial Controller, BHIC
- 2019 to present – Acting Chief Financial Officer, BHIC

**Qualification:**

- 2004 – Diploma in Accountancy, Universiti Teknologi MARA
- 2006 – Bachelor of Accountancy (Hons), Universiti Teknologi MARA
- 2010 – Certified Public Accountant, Malaysian Institute of Certified Public Accountants
- 2010 – Chartered Accountant, Malaysian Institute of Accountants

**Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad (“the Company”)**

- Nil

**Directorship in other public listed companies**

- Nil

**Directorship in public companies**

- Nil

**Family relationship with any director and/ 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:**

- No



## PROFILE OF SENIOR MANAGEMENT TEAM



### Nationality/Age/Gender

Malaysian | 58 | Male

### Date of appointment to present position

1 November 2017

### Length of Service

4 years

### Ir. HAIRUTDIN AYOB

Littoral Mission Ship Programme Director

#### Working experience:

- 1987 – 2015 - Naval Engineer of Royal Malaysian Navy
- 2015 – 2017 - Business Development Director, Radimax Defence Technology Sdn Bhd
- 2017 to present – LMS Programme Director

#### Qualification:

- 1987 - Bachelor of Science in Electrical Engineering
- 2001 - Advanced Diploma Defence Strategic Studies
- 2009 - Master of Strategic and Defence Studies
- 2009 - Diploma Malaysian Armed Forces College

#### Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad ("the Company")

- Nil

#### Directorship in other public listed companies

- Nil

#### Directorship in public companies

- Nil

#### Family relationship with any director and/ 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:

- No

**Nationality/Age/Gender**

Malaysian | 49 | Male

**Date of appointment to present position**

15 February 2016

**Length of Service**

5 years 3 months

**Ir. AZHAR JUMAAT****Littoral Combat Ship Programme Director****Working experience:**

- 2012 to 2016 – Director General, LCS Project for Royal Malaysian Navy
- 2016 to 2017 – Deputy Director, Defence & Security Division, BHIC
- 2017 to present – Director, LCS Programme Director

**Qualification:**

- 1990 to 1994 – Bachelor of Science Electrical Engineering (Honours), United States Coast Guard Academy, New London, Connecticut, United States of America
- 2000 – Professional Engineer with Practicing Certificate, Board of Engineers, Malaysia
- 2002 to 2003 – Master of Science Maintenance Engineering & Asset Management, University of Manchester, United Kingdom (Chevening Scholarship)
- 2008 – Chartered Engineer, United Kingdom Engineering Council
- 2008 – Naval Post Graduate School, Monterey, California
- 2011 to 2012 – Master of Arts Strategic Studies, Deakin University, Australia
- 2012 – Australian Defence College, Canberra, Australia

**Details of any interest in the securities of Boustead Heavy Industries Corporation Berhad ("the Company")**

- Nil

**Directorship in other public listed companies**

- Nil

**Directorship in public companies**

- Nil

**Family relationship with any director and/ 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:**

- No





## HEADS OF SUBSIDIARIES



**1. JEFFRY FAISAL**

Chief Executive Officer  
BHIC SUBMARINE  
ENGINEERING  
SERVICES SDN BHD

**2. DEVA DASS BABOO**

Head  
BHIC DEFENCE  
TECHSERVICES  
SDN BHD

**3. MD SALLEH ABDULLAH**

Acting Chief  
Operating Officer  
BHIC MARINE  
TECHNOLOGY  
ACADEMY SDN BHD

**4. DATO' TUAN  
MUSTAPHA HJ. TUAN  
HUSSIN**

Chief Executive Officer  
BHIC AEROSERVICES  
SDN BHD



**5. AZHAR ABDULLAH**  
Chief Executive Officer  
BHIC BOFORS ASIA  
SDN BHD

**6. FEROZ RAZI RAMLI**  
Chief Executive Officer  
BOUSTEAD DCNS  
NAVAL CORPORATION  
SDN BHD

**7. MOHAMED RAZIFF  
ABDUL HAMID**  
General Manager  
AIRBUS HELICOPTERS  
SIMULATION CENTER  
SDN BHD

**8. SITI SALWA ABU  
BAKAR**  
Acting Head  
BOUSTEAD LANGKAWI  
SHIPYARD SDN BHD



## CHAIRMAN'S STATEMENT

*Dear Valued Shareholder,*

As the largest health crisis in living memory, the COVID-19 pandemic has triggered disruptions including border closures and movement restrictions that have had a profound and sweeping impact on the global economy.

On the local front, the Malaysian economy contracted by 5.6% in 2020. While the Government's multiple stimulus packages bolstered the economy and prevented harsher consequences, many sectors were still negatively impacted. The defence, security and marine sectors have felt the brunt of the current challenging economic situation. This, in turn, has adversely affected industry players like us.

Since the onset of the pandemic, the health and safety of the BHIC People have been our number one priority. We closely follow public health guidelines and safety protocols for offices, production units and customer-facing interactions.

**ADMIRAL TAN SRI DATO' SERI RAMLAN  
MOHAMED ALI (RETIRED)**

Non-Independent Non-Executive Chairman

**Despite the challenging economic conditions, the Government of Malaysia is unwavering in its commitment to safeguard the nation's defense and maritime interests and spurring economic growth. To this end, we have reasons to be optimistic of handling more Government projects in the marine and aviation sectors and expanding our market base to the commercial segments in those sectors.**





*Boustead Langkawi Shipyard has built a reputation for delivering quality MRO services for marine leisure crafts and recreational boats*

In line with Boustead Group's overarching strategy to reinvent the Group, our efforts to reinvent BHIC Group have allowed us to cushion the impact of this difficult operating environment.

BHIC Group's initiatives in FY2020 were focused on strengthening corporate governance, boosting revenue generation and improving collection management while optimising our organisational structure, reducing cost and improving efficiencies.

With integrity being one of the core values of the Group and underscoring our commitment to good governance, we introduced a No-Gift Policy in 2020. The Group also adopted Section 17A of the Malaysian Anti-Corruption Agency (MACC) Act 2009 on corporate liability. In this regard, we placed emphasis

on corporate governance training and knowledge sharing the Group.

Despite the disruption caused by the pandemic to our normal operations, we have continued to deliver high level of services to our customers. We have never stopped our sharp focus on executing projects in hand and getting the job done.

Our associate, Boustead Naval Shipyard Sdn Bhd's (BNS) Littoral Mission Ship (LMS) Project for the Royal Malaysian Navy (RMN) was impacted by the lockdown in China as well as movement restrictions in Malaysia. Despite the adverse conditions and unavoidable delays, significant milestones were achieved by the LMS Project Team. In addition, LMS3 and LMS4 were launched in October 2020 and December 2020 respectively.



*BHIC leaves no stone unturned to invest in human capital to deliver quality products and services to our clients*



## CHAIRMAN'S STATEMENT

This achievement stands testimony to the close working relationship between BNS and RMN personnel stationed in China to oversee the LMS Programme.

While the Littoral Combat (LCS) Project undertaken by BNS has faced setbacks, the Group is glad to note that the Government has approved the continuation of the Project. We look forward to completing the construction of these first-of-class ships to strengthen the RMN Fleet and play our part in the fortification of the nation's maritime security.



*Through BHIC Bofors Asia Sdn Bhd, we provide integrated logistics support services to BOFORS weapons system*



*The award of the contract to Boustead Naval Shipyard to build four units of LMS in China stands testimony to our ability to deliver quality vessels to RMN*



*RMN and BNS enjoy a very close working relationship and collaborate well in projects undertaken by our shipyard involving RMN's ships*

**LMS3 and LMS4, jointly built by BNS, were successfully launched in October 2020 and December 2020 respectively. This achievement stands testimony to the close working relationship between BNS and RMN personnel stationed in China to oversee the LMS Programme.**





None of this would be possible without the entrepreneurial skills and dedicated contribution of all our employees throughout the country. I also believe that their determination to live up to our core values of Belonging, Honour, Integrity and Commitment is one of our greatest assets. I am truly proud of the way our people and business units have stepped up to work tirelessly and continue to display dedication and commitment in this time of crisis.

Given the infrastructures that we have in place at BNS, coupled with our experienced workforce, we stand as strong contenders to aid RMN in achieving the objectives of its 15to5 Fleet Transformation Programme. In addition, the repeated contract extensions recorded by our subsidiaries and associates in 2020 are a fitting testament to our reputation and capabilities.

As we move forward through 2021, it is clear that the effects of the pandemic will continue to affect us. While we face another challenging year, we are steadfast in our commitment to steer the Group back on the route to profitability and to deliver value to our shareholders through our dedication to reinventing BHIC. The BHIC People will remain the foundation upon which our success is going to be built.

On behalf of my fellow Directors, the Management and our employees, I would like to extend my appreciation to all relevant Government of Malaysia agencies for the assistance provided and trust placed in the Group. The Board also bids farewell to Admiral Tan Sri Dato' Seri Panglima Ahmad Kamarulzaman Ahmad Badaruddin (Retired) who retired from the Board on 21 July 2020. and thanks him for his contributions.

I would also like to record our utmost appreciation to our shareholders, clients, bankers, suppliers, business partners and regulatory bodies for the relentless support extended to the Group.

**ADMIRAL TAN SRI DATO' SERI RAMLAN MOHAMED ALI (RETIRED)**

Non-Independent Non-Executive Chairman



*Through BHIC AeroServices Sdn Bhd, we provide MRO services to Government helicopters and we are looking to expand our services to fixed wing aircrafts and the commercial segment*



# CEO'S STATEMENT



**PG 37**  
**FINANCIAL  
PERFORMANCE**



**PG 38**  
**OPERATIONAL  
REVIEW**

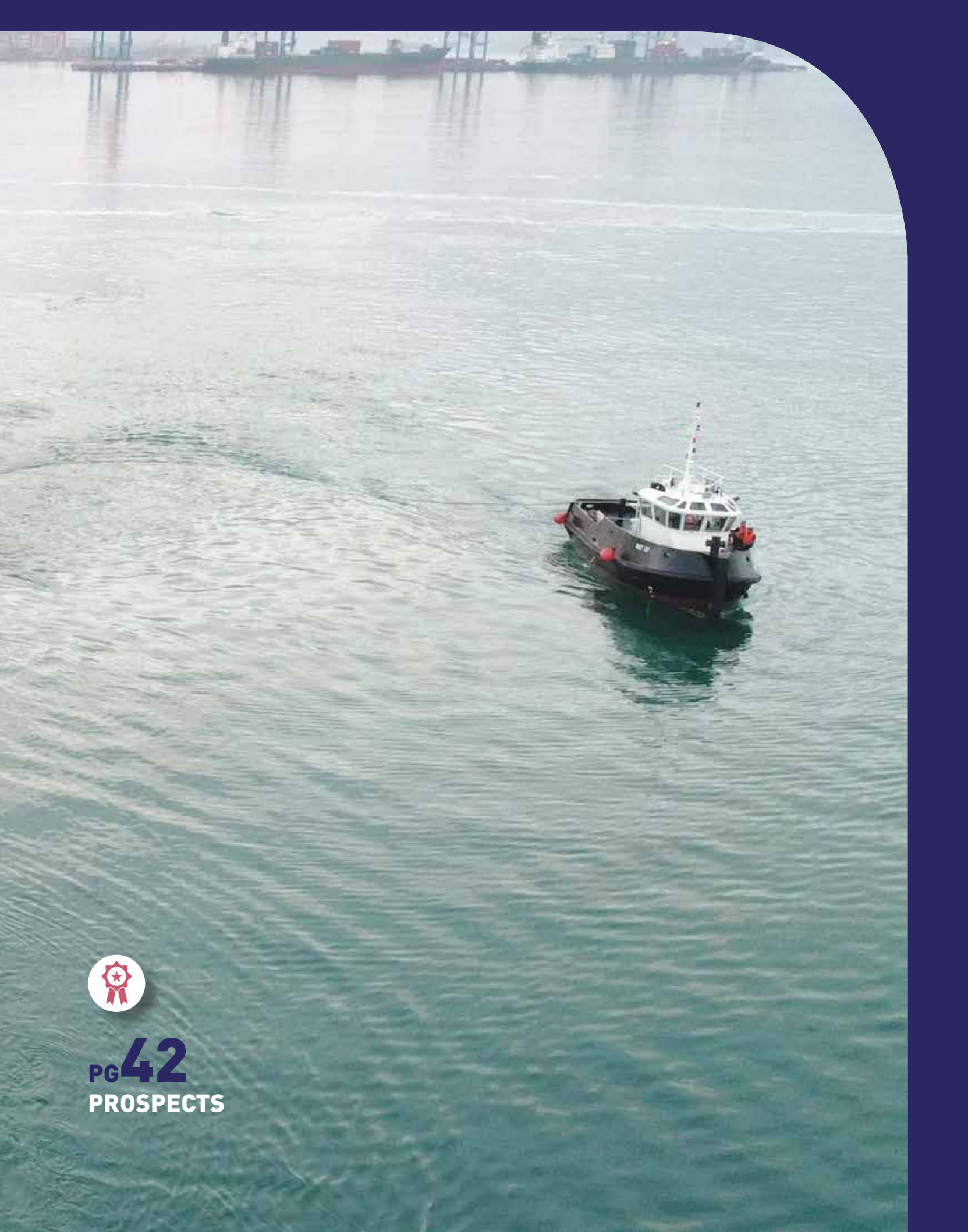


**PG 40**  
**SUSTAINABILITY**



**PG 41**  
**STRATEGIC  
PLANNING AND  
TRANSFORMATION**





**PG42**  
**PROSPECTS**



## CEO'S STATEMENT

*Dear Valued Shareholder,*

While the past few years have been challenging for BHIC Group, the year under review truly tested the extent of our resilience.

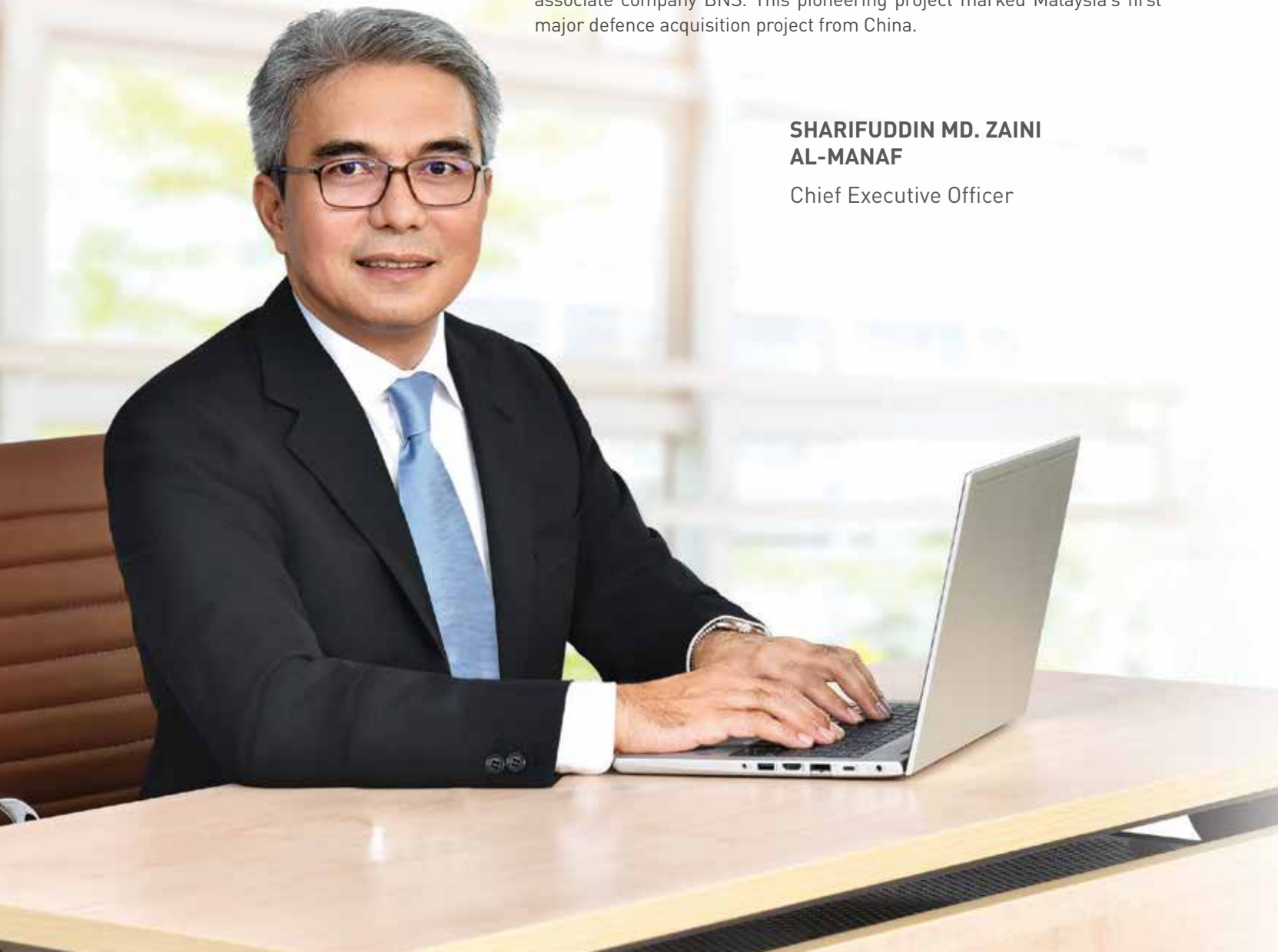
We are pleased that we were already taking the steps necessary to reinvent and restructure the Group, which allowed us to quickly bounce back to record improved results compared to 2019.

While we were faced with mobility restrictions, we were committed to finding ways to accomplish projects at hand and seek out new business opportunities.

Although it meant that the complexity of our undertakings increased, we were able to make good progress on the LMS Project undertaken by our associate company BNS. This pioneering project marked Malaysia's first major defence acquisition project from China.

**SHARIFUDDIN MD. ZAINI  
AL-MANAF**

Chief Executive Officer





*The yet to be named LMS4 during its launching in December 2020 at WSIG Shipyard in Wuhan in China. When all four units of the ships are delivered to RMN and have joined its 11<sup>th</sup> Patrol Vessel Squadron, they will significantly boost its capability to perform patrol duties, maritime surveillance and search and rescue operations as well as to enforce Malaysia's maritime law.*

## FINANCIAL PERFORMANCE

We reported a lower net Loss After Tax of RM50.6 million mainly due to no impairment incurred, share of losses by our associates has been capped right up to the Group's cost of investment in December 2019 and partially due to the Group's recovery trajectory despite the bleak economic backdrop triggered by the pandemic.

The Group recorded a revenue of RM145.2 million, mainly contributed by submarine contracts and defence-related Maintenance, Repair and Overhaul (MRO) works undertaken for the Royal Malaysian Navy (RMN).

Our Joint Venture (JV) companies posted a negative contribution of RM13.8 million in the cumulative year attributable to impairment on trade receivables in addition to unfavourable foreign exchange translations.

Furthermore, BHIC AeroServices Sdn Bhd (BHICAS) entered a negative contribution as a consequence of additional cost incurred along with a provision for Liquidated Damages of RM27.3 million for its Royal Malaysian Air Force (RMAF) contract.

A higher share of profits in BHIC Bofors Asia Sdn Bhd of RM1.1 million for maintenance works undertaken on RMN's ships was able to cushion the impact of the negative contribution from JV companies.

**MINDEF has given its support to the Group to continue with the LCS project moving forward. We are committed to complete the construction of these ships and indirectly contribute towards safeguarding Malaysia's maritime defence and strategic interests.**





## CEO's STATEMENT



*Inspection and functional test being carried out on the weather radar of an EC725 helicopter belonging to RMAF at BHICAS facilities*

### OPERATIONAL REVIEW

In the midst of a pandemic that has been a challenge both financially and operationally, we recorded some notable achievements in 2020.

### Defence/security

The defence and security segment was once again the Group's main source of revenue.

The following details the segment's key highlights for the year :

- i. While COVID-19 pandemic and the early lockdown in China posed a very difficult challenge for our LMS project, we were able to commission LMS1, KD KERIS in the early part of the year. KD KERIS joined RMN's 11<sup>th</sup> Patrol Vessel Squadron.
- ii. LMS3 and LMS4 were launched in October 2020 and December 2020 respectively.
- iii. During the financial year, BNS completed MRO works for five RMN ships under multiple contracts valued at RM110 million.



BNS hosted a visit by Deputy Secretary General (Development), MINDEF, Datuk Haji Ruji Haji Ubi (third from left) who was briefed on the of the LCS Programme on 4 July 2020

- iv. We also successfully completed In-Service Support (ISS) for RMAF EC725 Helicopters as well as integrated maintenance and logistic support services for MMEA's Dauphin AS365N3 helicopters.
- v. Several MRO contracts and Letter of Intent (LOI) were also awarded to companies under the BHIC Group in 2020. These contracts are expected to positively contribute to the Group's bottom-line and underpin our position as one of the leading defence MRO contractors in Malaysia.
- vi. The extension of the contract for the provision of ISS by BDNC for RMN's submarines for one year was valued at RM154.3 million. The team undertaking Refit for KD TUN RAZAK was led by a Malaysian Head of Production and consisted of more Malaysians than other citizens, a first in Refit work for RMN's submarines. The job was completed earlier than the Refit for KD TUNKU ABDUL RAHMAN. Despite the challenges that we faced with the COVID-19 pandemic, KD TUN RAZAK was handed over back to the RMN in June 2020 after the successful completion of her Refit Hull/Platform Acceptance.
- vii. BDNC also successfully completed the Transfer Of Know-How (TOKH) Strategic Plan 2.0 in which 91 personnel received their Submarine Competency Certifications. Currently, more than 90 percent of the ISS Team at BDNC are Malaysians. BDNC ended the year with another Technical Availability achievement, far surpassing the target set by the contract.
- vii. The ISS contract for Royal Malaysian Air Force EC725 helicopters was extended until 30 March 2023 for the sum of RM113.2 million.
- viii. BHICAS also garnered a contract extension for the provision of integrated maintenance and logistic support services for MMEA's Dauphin AS365N3 helicopters until June 2021. The additional contract value stood at RM8.16 million.
- ix. BHIC Bofors Asia Sdn Bhd was awarded a contract extension valued at RM6.98 million for the supply of MRO services for Malaysian Armed Forces Bofors 57mm Gun for two years until May 2022 while also receiving a LOI for a three-year MRO contract worth RM14.1 million for RMN's Bofors 40mm Gun.
- x. BHIC Defence Techservices Sdn Bhd was issued a LOI for a three-year contract worth RM2.4 million for the MRO of RMN's 76mm Oto Melara Gun commencing January 2021.





## CEO's STATEMENT

### Marine

I am pleased to note that our efforts to diversify our earnings base have yielded positive results for the commercial segment of the marine sector. Among the notable highlights for the year were:

- i. Completion of MRO works on 44 ferries, 20 white boats and one Government vessel by Boustead Langkawi Shipyard Sdn Bhd (BLS), with a total value RM5.7 million.
- ii. BNS undertook hydraulic pipe repair for Sapura Energy Berhad's barge FLB-1, basic sea water piping fabrication as well as shafting inspection.
- iii. BNS was also awarded a contract worth RM1.19 million to undertake MRO on an Offshore Support Vessel (OSV).
- iv. BNS and BLS were selected by Petronas as one of eight Approved Shipyards to participate in a newbuilding programme of 72 OSV worth RM2.8 billion to be chartered to Petronas.

### SUSTAINABILITY

To attain growth that is sustainable, BHIC is committed to incorporating sustainability principles in all our undertakings in our pursuit of profit and in delivering value to our shareholders.

We fully acknowledge the long-lasting impact our operations have on the environment and the communities we exist within and we have crafted our sustainability agenda to ensure that we make a difference in ways that matter, covering economic, environment and social aspects.



Aerial view of the RMN Yard in Sepang Bay, Kota Kinabalu operated and managed by BDNC, our JV company with France's Naval Group. BDNC, supported by our wholly owned subsidiary BHIC Submarine Engineering Services Sdn Bhd, is entrusted by RMN to provide In-Service Support and carry out Refit works for RMN's fleet of Scorpene submarines

BHIC's key focus areas in pursuing sustainability are based on the Sustainable Development Goals (SDGs) outlined by the United Nations (UN), Global Reporting Initiative (GRI) Standards – Core Option as well as Boustead Group's Sustainability Policy.

BHIC Group's sustainability initiatives and activities in 2020 are presented in detail in the Sustainability Report section in this Annual Report on pages 46 to 68.



*Bofors 375mm Anti-Submarine Rocket Launcher maintained by BHIC Bofors Asia Sdn Bhd, a JV Company Bofors Sweden onboard an RMN ship. BHIC Group provides comprehensive MRO services to Malaysian Armed Forces assets*

## STRATEGIC PLANNING AND TRANSFORMATION

The Group is making every effort to strengthen our fundamentals by focusing on austerity measures that help us reduce costs and match resources with market conditions.

At the same time, we are committed to improving corporate governance and adhering to sustainability principles in all our business conduct. Our efforts to reinvent BHIC aligns well with Boustead Group's Reinventing Boustead strategy.

As part of our strategic initiatives, we looked at corporate reorganisation, cost-cutting measures and financial restructuring to optimise our structure so that we may perform to our true potential.

In view of the challenging operating environment, we are conscious of the need to diversify our business streams and enlarge our market base beyond Government contracts. Our target segments include marine commercial, aerospace and cybersecurity for banks.

In fact, we intend for revenue generated from the commercial segment to scale up to 50% in 2025 from 1% in 2020.

We recognise that our greatest competitive advantage is the collective talent of our employees. As such, we are committed to investment in initiatives that enhance the capabilities and capacity of our employees in order to nurture a team of empowered individuals.

The Group's focus areas include skills development, certification and mobility. Apart from training-based initiatives, we also ensure that reward and remuneration is contingent on performance.



*Fabrication works of a Floating, Production, Storage & Offloading (FPSO) project sea water cooling pipes undertaken at BNS*



## CEO's STATEMENT



*KD PAHANG, one of the Kedah-class patrol vessels of the RMN, continues to carry out maritime patrols effectively thanks to the quality MRO service it receives from BNS*

### PROSPECTS

While the pandemic continues to rage, we are encouraged by the ongoing national level vaccination programme as well as vaccination initiatives globally.

At the same time, we are conscious of the need to be prepared for a challenging year for businesses and industries. As such, we take a cautious outlook towards our prospects in 2021.

BHIC has adopted to the new normal and we have stringent SOPs in place to ensure the safety of our employees, vendors and surrounding communities. We are now better prepared to face the impact of extended restrictions to movement and business operations, should it arise.

Despite the challenging circumstances that the Group may find itself in, we are very clear on our path to improved profitability and consequentially better shareholder value.

Unlocking value within our core businesses of shipbuilding and MRO of military assets and equipment will continue to be a focus while we home in on new business ventures and opportunities.

We are very pleased to note we are now able to recommence our work on the Littoral Combat Ship (LCS) project in line with the Government's recent approval. We are grateful to the Government for the opportunity and are committed to ensuring strict compliance with the conditions set in delivering all LCS units. This project is expected to contribute to our growth as well as in the creation of new employment opportunities, amidst the pandemic.

Moving forward, in addition to successfully completing projects at hand, we are making every possible effort to secure new contracts from Government agencies including the new batch of LMS to RMN. We are also bidding for naval MRO works such as warranty defects, docking for essential defects, emergency repair defects and refit for RMN ships.

Beyond that, we continue to cast a wider net in the commercial segment to enlarge our market base by capitalising on our existing infrastructure, our extensive MRO experience and our capabilities.

By improving the quality of our facilities as well as our ability to complete projects on time and according to the expectations of clients, we are confident in our ability to bring in more commercial vessels to our shipyards. The Group is positive about the prospects ahead given the fact that BNS has already secured several MRO contracts from commercial shipowners.

The award of a contract by an OSV owner to BNS to undertake MRO on its vessel and the selection of BNS and BLS by Petronas in its OSV newbuilding programme are certainly promising for our prospect in the marine commercial segment.

As we journey through the year ahead, we are optimistic that our efforts to enlarge and diversify our revenue base will bear fruit and deliver value to our esteemed shareholders.



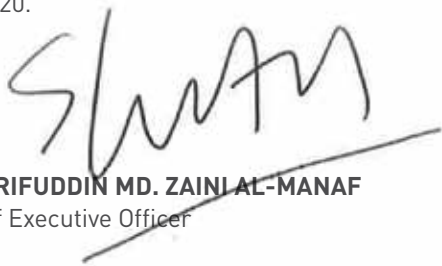
**ACKNOWLEDGMENT**

I would like to extend my gratitude to you, our esteemed shareholder, for your relentless support.

Thank you also to the Government of Malaysia, our customers amongst Government agencies and commercial segment, our suppliers, vendors, bankers and other stakeholders, for your faith in the Group.

On behalf of the Management team, I would like to convey my appreciation to the Board for their collective wisdom over the past year.

Thank you also to our employees for their hard work, commitment and loyalty in these trying times. Your resilience and professionalism allowed us to achieve multiple business milestones despite the rough waters of 2020.



**SHARIFUDDIN MD. ZAINI AL-MANAF**  
Chief Executive Officer

*LMS3, jointly built by BNS, was launched at the Wuchang Shipbuilding Industry Group shipyard in Wuhan, China on 28 October 2020*





# SUSTAINABILITY REPORT



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**ABOUT THIS REPORT**



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**OUR COMMITMENT**



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**STAKEHOLDER ENGAGEMENT**



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**MATERIALITY MATRIX**





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**SUSTAINABILITY PERFORMANCE -  
MATERIAL MATTERS**





# ABOUT THIS REPORT



**Boustead Heavy Industries Corporation Berhad's (BHIC) 2020 Sustainability Report provides an overview of the Group's impact and progress in terms of our sustainability performance. In this report, we focus on issues that are material to the Group and our sustainability strategy as well as those that are of interest to our stakeholders.**

The Group's commitment to addressing risks to economic, environmental and social (EES) values describes our approach to long-term sustainability:



## ECONOMIC

We are committed to ensuring the sustainability of our businesses through our focus on profitability that is able to positively impact the local economy. At the same time, we place importance on adherence to high ethical standards as well as compliance with all relevant rules, regulations and laws.



## ENVIRONMENT

As part of our progress towards becoming better custodians of the planet, we embrace green and eco-friendly practices aimed at reducing our resource use and minimising waste generated.



## SOCIAL

Our social impact is focused on community and youth empowerment as well as employee development and welfare. We invest in our people by way of upgrading their skills, developing their talents and taking care of their welfare and well-being at the workplace. As a responsible corporate citizen, we reach out to those in need and give back to society through various social initiatives.



## REPORTING SCOPE

This Report encapsulates BHIC Group's sustainability activities and initiatives from 1 January 2020 to 31 December 2020.

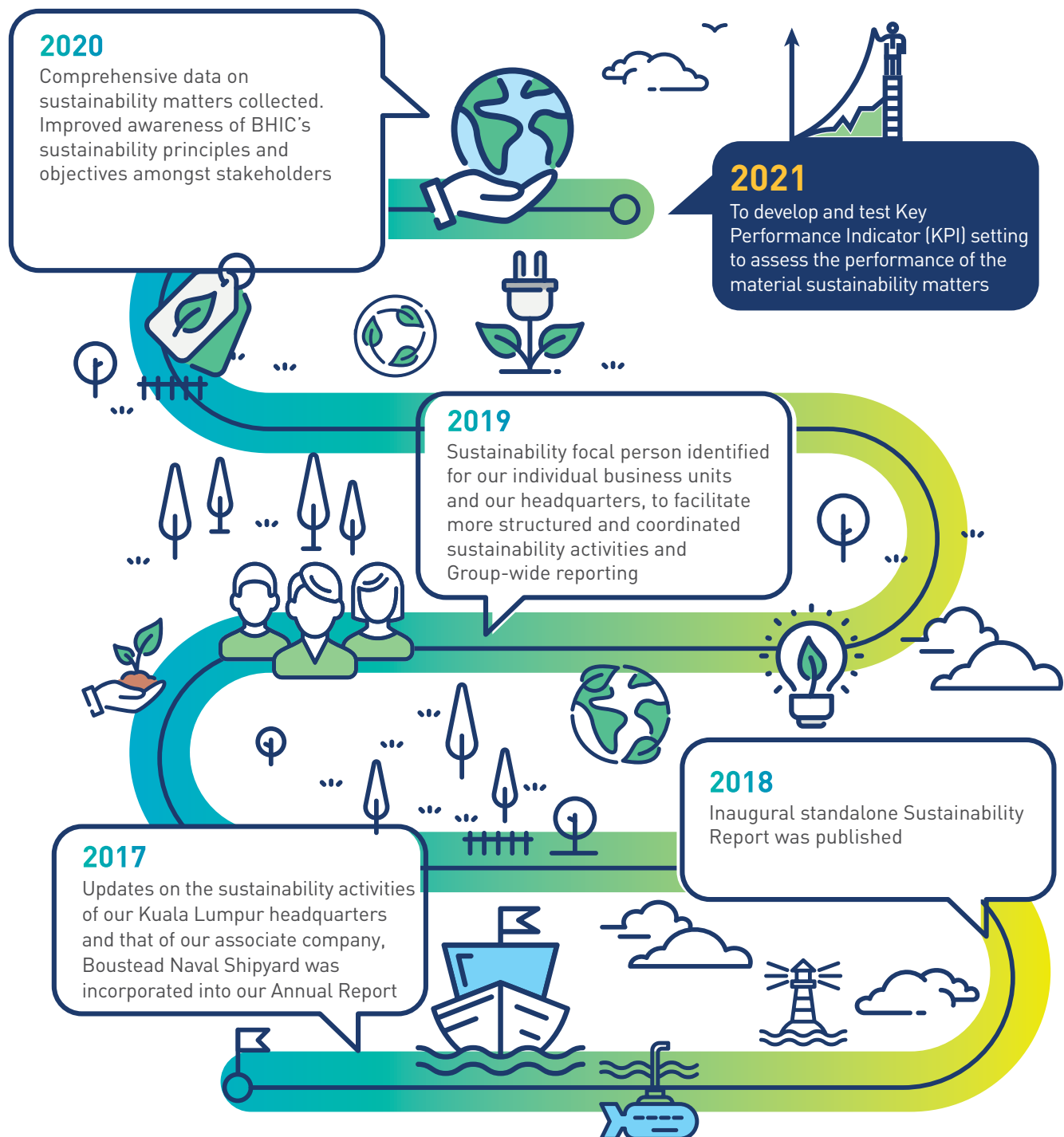


## REPORTING FRAMEWORK

This Report was developed in accordance with Bursa Malaysia Main Market Listing Requirements (Practice Note 9). We were also guided by the Bursa Malaysia Sustainability Reporting Guide and Global Reporting Initiative (GRI) Standards.

## SUSTAINABILITY JOURNEY

Our journey to strengthened sustainability commenced in 2017. The following visual captures our progress as well as future targets.







## OUR COMMITMENT

Guided by our core values and in line with BHIC Group's Sustainability Policy, sustainability is integrated into every aspect of our operations through the promotion of sustainable practices that are aligned with the United Nations (UN) Sustainable Development Goals (SDGs).

The BHIC Group Sustainability Policy



### BHIC Group Core Values



### Material Areas of Sustainability



### Aligned to Sustainable Development Goals



## OUR COMMITMENT TO THE GLOBAL SUSTAINABILITY AGENDA

The United Nations (UN) Sustainable Development Goals (SDGs) endeavour to address some of the world's most pressing challenges through an urgent and universal clarion call to end poverty, protect the planet and ensure that humankind enjoy peace and prosperity.

As a leading maritime and defence services provider, we are committed to playing our part in the shift to a more sustainable future, in reference with the objectives of the 17 SDGs.



## SUSTAINABILITY GOVERNANCE

Clear lines of accountability as determined through our sustainability governance structure ensure that sustainable practices are implemented across our various operations.

Position	Roles and Responsibilities
<b>BOARD OF DIRECTORS</b>	Responsible for overseeing the Group's overall sustainability strategy and direction
<b>BOARD SUSTAINABILITY COMMITTEE (BSC)</b>	Assist the Board in discharging its oversight duties pertaining to the Group's sustainability objectives, policies and practises.
<b>MANAGEMENT SUSTAINABILITY COMMITTEE (MSC)</b>	Ensures that the Group fulfils its sustainability objectives, policies and agendas. Oversees sustainability reporting within the Group and advises BSC on sustainability matters
<b>STRATEGIC PLANNING &amp; TRANSFORMATION (SPT) DEPARTMENT</b>	Acts as MSC secretariat and main coordinator for all sustainability initiatives and reporting within the Group
<b>SUSTAINABILITY FOCAL PERSONS AT CORPORATE OFFICE / BUSINESS UNITS</b>	Execute, monitor and liaise with SPT on reporting and implementation sustainability matters at Corporate Office and Business Units



## OUR COMMITMENT

### BHIC BOARD SUSTAINABILITY COMMITTEE

**Chairman:**

Tan Sri Dato' Wira Aziah Ali

**Members:**

- Dato' Maznah Abdul Jalil
- Hajah Saadatul Nafisah Bashir Ahmad
- Izaddeen Daud (Appointed on 18 August 2020)
- Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired) (Resigned on 18 August 2020)
- (Dr.) Salihin Abang (Resigned on 18 August 2020)

### MANAGEMENT SUSTAINABILITY COMMITTEE

Position	Role
1 Chief Executive Officer (CEO) of BHIC	Chairman
2 Head, Strategic Planning & Transformation of BHIC	Member
3 Chief Financial Officer (CFO) of BHIC	Member
4 Head, Group Human Capital Management of BHIC	Member
5 Head, Group Risk Management of BHIC	Member
6 Head, Group Administration of BHIC	Member
7 Head, Group Supply Chain Management of BHIC	Member
8 Head, Group Corporate Communications of BHIC	Member

### POLICIES AND GUIDELINES

BHIC Group is supported by various policies and guidelines in undertaking its sustainability efforts. Amongst the policies and guidelines touching on sustainability material areas, namely Economic, Environment and Social are listed below.

Economic	Environment	Social
<ul style="list-style-type: none"> <li>• Limits of Authority</li> <li>• Risk Management</li> <li>• Business Continuity Management</li> <li>• Vendor Development Management</li> <li>• Performance Management System</li> <li>• Quality Management System</li> <li>• Investment and Collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Health, Safety and Environment Management</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Ethics and Conduct</li> <li>• Anti-Bribery and Anti-Corruption</li> <li>• Whistleblowing</li> <li>• Corporate Integrity</li> </ul>








# STAKEHOLDER ENGAGEMENT

Active engagement with our stakeholders is imperative in order for the Group to develop more robust and sustainable business strategies that allow us to capitalise on prospects amidst the prevalent challenges.

Through our ongoing interactions, we are able to identify material issues as well as find ways to achieve common goals while developing long-term mutually beneficial relationships with our stakeholders, which is important particularly during challenging times.

In 2020, given the circumstances surrounding COVID-19 and the need to limit physical interactions, we leverage on online virtual communication to maintain our rapport with stakeholders.

Amongst the stakeholder engagement activities carried out during the year were as follows:

Stakeholder Group	Engagement Method	Areas of Interest and Concern
 <b>Government Agencies</b>	<ul style="list-style-type: none"> <li>Meetings/dialogues</li> <li>Correspondences</li> <li>On-site visits</li> </ul>	<ul style="list-style-type: none"> <li>Legal and regulatory compliance</li> <li>Anti-corruption/anti-bribery</li> <li>Vendor Development</li> <li>Health, Safety and Environment</li> </ul>
 <b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>Virtual Annual General Meeting</li> <li>Quarterly reports</li> <li>Annual Report</li> <li>Sustainability Report</li> <li>Bursa announcements</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Market presence</li> <li>Sustainable earnings</li> <li>Impact of COVID-19 pandemic</li> </ul>
 <b>Customers</b>	<ul style="list-style-type: none"> <li>Meetings/dialogues</li> <li>Customer feedback channels</li> <li>Correspondences</li> </ul>	<ul style="list-style-type: none"> <li>Quality products and services</li> <li>Sustaining operations</li> <li>Emergency response plan</li> <li>Timely and cost effective delivery of projects that are up to expectations</li> </ul>
 <b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Correspondences</li> <li>Retreats</li> </ul>	<ul style="list-style-type: none"> <li>Maximising shareholders value</li> <li>Governance</li> <li>Mitigating business risks</li> <li>Business strategies and direction</li> <li>Financial performance</li> <li>Engagement with stakeholders</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Internal communications</li> <li>Virtual/online employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>Safe and conducive working environment</li> <li>Impact of COVID-19 pandemic</li> <li>Rewards and remuneration</li> <li>Training and development</li> <li>Strategic directions</li> <li>Career prospects</li> </ul>
 <b>Vendors/Suppliers and Business Partners</b>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Correspondences</li> <li>Online training sessions</li> <li>Online dialogue sessions</li> </ul>	<ul style="list-style-type: none"> <li>Licensing and certification</li> <li>Legal and commercial issues</li> <li>Business opportunities</li> <li>Mitigation of business risks</li> <li>Financial performance</li> <li>Sustainability of the Company's operations</li> <li>Shared growth through partnerships</li> <li>Emergency response management</li> <li>Impact of COVID-19 pandemic</li> </ul>
 <b>Local communities</b>	<ul style="list-style-type: none"> <li>CSR activities</li> </ul>	<ul style="list-style-type: none"> <li>Public safety and security</li> <li>Safety and security of operations</li> <li>Employment and business opportunities</li> <li>Infrastructure development</li> <li>Social and welfare contributions</li> </ul>



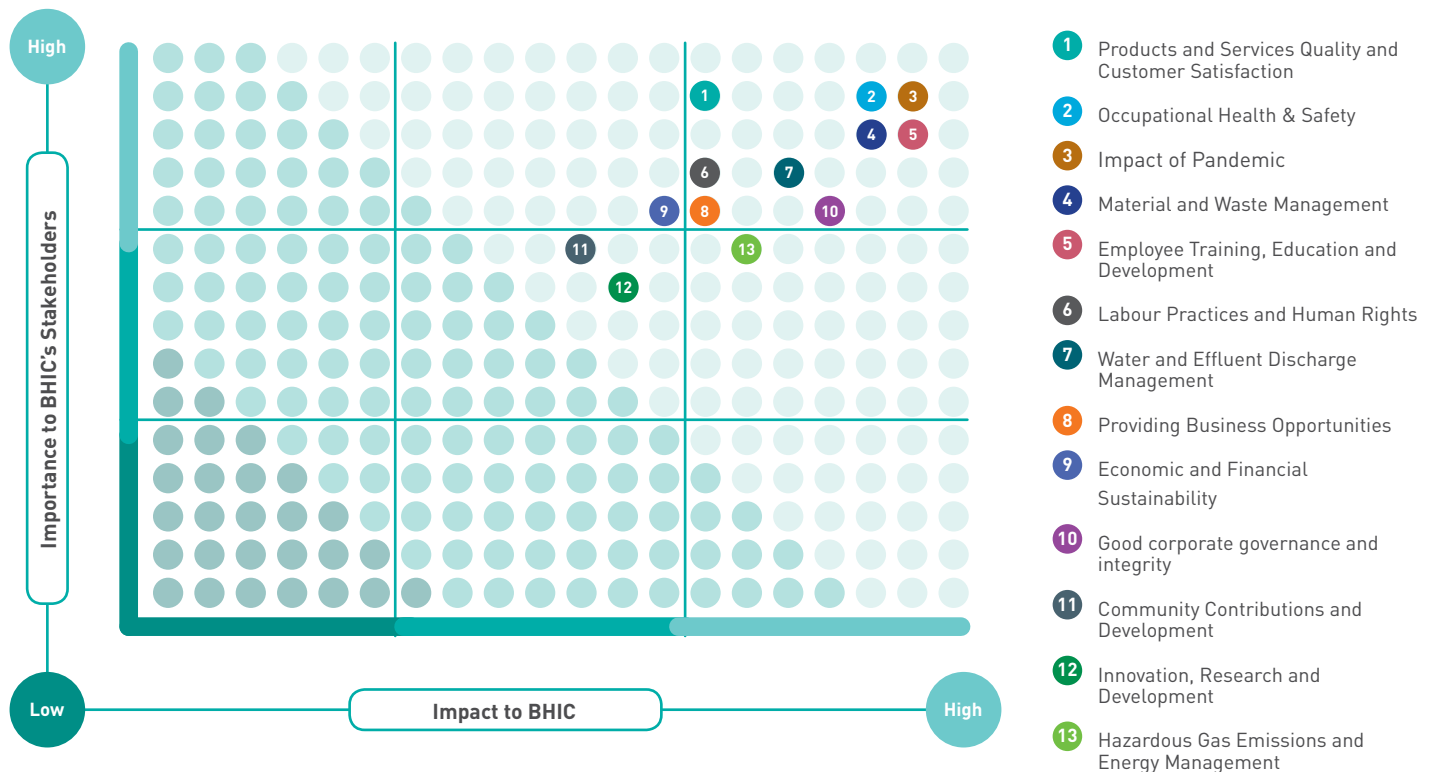


## MATERIALITY MATRIX

On a yearly basis, we undertake a materiality assessment exercise to determine sustainability issues that are most relevant to our business and stakeholders. The identification and prioritisation of key issues involved a review of internal and external sources as well as conclusions from our engagement with stakeholders.

In 2020, the Sustainability Management Committee identified 12 key issues after assessing and rating the effect and risk of each to our businesses.

We added one new material issue, which was the Impact of pandemic.



Periodic assessment will be conducted to obtain and ensure the accuracy of the company's materiality matrix

## STAKEHOLDER ENGAGEMENT

We engaged 125 individuals for their views on materiality issues that affect sustainability matters from the following groups in 2020:

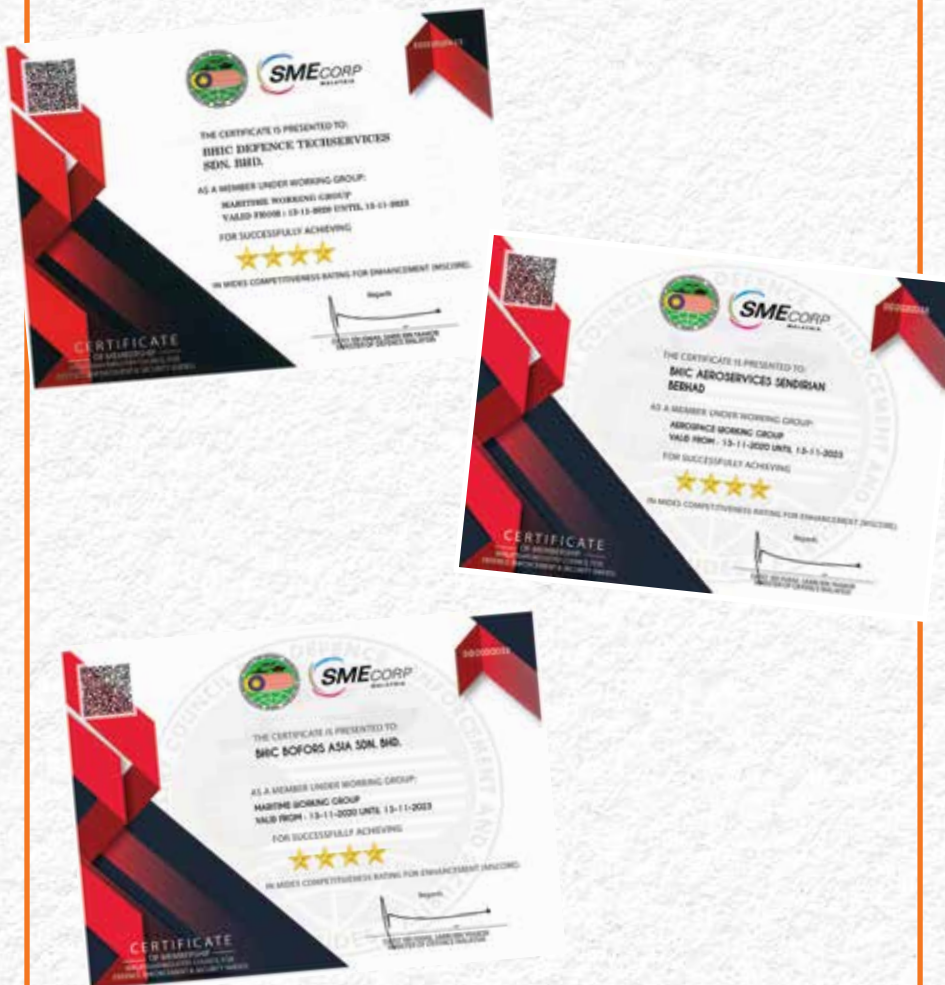


# SUSTAINABILITY PERFORMANCE - MATERIAL MATTERS



## ECONOMIC

The Group strives to achieve economic success through a focus on operational excellence across our business. A viable financial performance allows us to balance shareholder value with the needs of society, the nation's economic growth and the environment. Ultimately, the outcome is positive for all stakeholders.



*Certificate of achievement awarded to companies under BHIC Group by Malaysian Industry Council for Defence, Enforcement and Security (MIDES), a national-level council chaired by the Minister of Defence Malaysia with the objective of creating a self-reliant and competitive local defence industry, in line with the National Defence Policy*

## QUALITY AND CUSTOMER SATISFACTION



### Our Approach in Ensuring Quality Products/Services and Customer Satisfaction

- Amidst the challenges we faced as a result of the COVID-19 pandemic, we were clear on the need to expand our horizons and tap into new opportunities.
- To this end, we extended our ship maintenance, repair and overhaul (MRO) services to locally owned commercial ships, namely Anchor Handling Tug Supply (AHTS), survey vessels and harbour tugs.
- MRO services offered included dry docking, vessel modification as well as repair and overhaul of machinery.
- BHIC will continue to expand the commercial MRO sector in line with our capabilities and reach in this sector while dampening our reliance on the defence segment.
- Customer satisfaction is of high priority for the Group and we make every effort to create value for customers through the provision of high-quality products and services.
- To measure satisfaction levels and our fulfilment of customer expectations, we undertook regular customer engagements via meetings and satisfaction surveys.
- The Group also enforced a Quality Management System and held regular internal quality checks and supplier quality audits.





## SUSTAINABILITY PERFORMANCE - MATERIAL MATTERS

### Performance Highlights

#### BHIC GROUP

##### Marine

- 1) 6 Units of Naval ship repair projects
- 2) 4 Refit and 4 In-Service Support (ISS) Submarines
- 3) 61 units of commercial ship projects (yacht & ferries)
- 4) 3 units of Oto Melara (76mm) & Oto Breda (30mm)
- 5) 45 units of Bofors Gun

##### Aerospace

- 1) 3 units of EC725

We have also maintained ISO certification for the following companies:

#### ISO 9001:2015

- BHIC AeroServices Sdn Bhd
- BHIC Bofors Asia Sdn Bhd
- BHIC Defence Techservices Sdn Bhd
- BHIC Marine Technology Academy Sdn Bhd
- BHIC Navaltech Sdn Bhd
- BHIC Submarine Engineering Services Sdn Bhd
- Boustead DCNS Naval Corporation Sdn Bhd
- Boustead Langkawi Shipyard Sdn Bhd
- Boustead Naval Shipyard Sdn Bhd

#### ISO 45001:2018

- Boustead Naval Shipyard Sdn Bhd
- Boustead DCNS Naval Corporation Sdn Bhd



Visit by a delegation from E.A. Technique Sdn Bhd, an owner/operator of marine vessels, to BNS on 16 October 2020



The RMN and BNS Project Team of LCS Programme held a joint inspection on the LCS on 27 August 2020



The Statement of Progress signing ceremony between RMN and BNS on 8 September 2020 marked another milestone for the LCS Programme



The acceptance ceremony of KD MAHAWANGSA was held on 25 June 2020 onboard an RMN ship that was berthed at BNS's jetty next to the RMN base in Lumut, Perak



## ECONOMIC AND FINANCIAL SUSTAINABILITY



BHIC Group's 2020 Annual Operating Plan was crafted to ensure that we continue to implement effective business strategies that culminate in long-term sustained profitability coupled with stable shareholder returns.

To ensure the sustainability of our business, we leverage on the strength and capability of our employees to expand into the commercial segment for marine and aerospace sectors.

## GOOD CORPORATE GOVERNANCE AND INTEGRITY



In line with Boustead Holdings Berhad's "Reinventing Boustead" strategy, which promotes business performance, transparency and strong corporate governance, we are committed to a high standard of corporate governance, with a focus on strengthening our ethics and integrity practices, while ensuring the responsible management of our resources.

Amongst the initiatives undertaken in this areas are:

- Strengthening policies and procedures to improve accountability across the Group.
- Reviewing Limits of Authority (LoA), which involves a thorough revision of the existing limits to better reflect the current structure of the Group.
- Updating and introducing new policies in relation to the present environment.

## Our Approach

- In line with our aim of inculcating a groupwide culture of adherence to the highest standards of governance, we have put in place policies and processes that guide our employees, business partners and vendors in conducting business ethically.



**Code of Ethics and Conduct Policy**



**Anti-Bribery and Anti-Corruption Policy Statement**



**Whistleblowing Policy**



**Corporate Integrity Policy**



**Due Diligence Process**

- We announced on 26 November 2020 that we commissioned a forensic audit in February 2020. Subsequently, the findings were handed over to the Malaysian Anti-Corruption Commission (MACC). The Group takes a zero-tolerance approach to bribery and corruption, as stated in its Anti-Bribery and Anti-Corruption Policy Statement. In addition, we also abide by the Guidelines of Adequate Procedure pursuant to Section 17A of the MACC Act.
- In 2020, we enhanced our Whistleblowing and Corporate Integrity Policy through the introduction of the Group's Anti-Bribery and Anti-Corruption Policy Statement. This Statement hallmarks our commitment to comply with Section 17A (4) of the MACC Act 2018.

Whistleblowing report can be submitted via email at [whistleblowing@bhic.com.my](mailto:whistleblowing@bhic.com.my) or hardcopy to be addressed to:

Audit Committee Chairman  
17<sup>th</sup> Floor, Menara Boustead,  
69, Jalan Raja Chulan,  
50200 Kuala Lumpur

In 2020, there were no whistleblowing reports received through our whistleblowing email.



*The BHIC Group Anti-Bribery and Anti-Corruption Policy Statement was introduced in June 2020*





## SUSTAINABILITY PERFORMANCE - MATERIAL MATTERS

### PROVIDING BUSINESS OPPORTUNITIES



#### Our Approach

Local businesses, particularly small and medium-sized enterprises (SMEs) play a critical role in ensuring the growth of the national economy and more importantly, in ensuring that growth is also felt by the local communities.

The Group is committed to fulfilling its role of catalysing progress in the community by providing business opportunities to SMEs through our Vendor Development Programme (VDP).

Activities undertaken in 2020 included trainings sessions that guided our vendors in addressing their skill gaps, be it from a technical perspective or in terms of management know-how. Training provided during the year included project management skills, technical know-how, integration of shipyard production, shipbuilding and ship repair.

#### VDP amid the pandemic

- Despite the movement restrictions that were in place during the year, we are pleased to have been able to undertake activities to continue with the development of our vendors.
- During the pandemic period, we were able to extend our help to approximately 50 vendors and suppliers. We assisted them with documents required for banking purposes as well as those required by the relevant Government departments and agencies.
- We conducted supply chain assessment by reviewing the products and services required for our operations in order to ensure operational continuity.
- As part of our assessment, we were able to determine demand disruptions that would impact our vendors and suppliers.
- Our international vendors were affected by the closed borders, which disrupted procurement and delivery plans of our business activities.
- Moving forward, we will be reducing our reliance on foreign parties for certain technical support as well as the supply of spare parts. This decision was made to ensure the resilience of our supply chain against future disruptive events. By focusing more on local suppliers, we are able to reduce dependency on foreign vendors and the long lead time for production and delivery. At the same time, we are also able to contribute to the growth of the local economy.

#### Performance Highlights

##### REGISTERED LOCAL VENDORS as at 31 December 2020

2,772

Increased by **6.08%** from  
31 December 2019

#### Programmes for vendors in 2020

1. Eight (8) vendors under our VDP were selected to participate in Program *Pembangunan Kapasiti Vendor* by Ministry of Entrepreneur Development and Cooperatives (MEDAC). The vendors received grants totalling RM448,968.
2. One of our VDP vendors with our assistance was awarded MEDAC's *Geran Penyelidikan dan Pengkomersilan Vendor* for Designing, Manufacturing, Assembling and Testing of Prototype Marine Valves for Type Approval Certification







## RESEARCH AND DEVELOPMENT (R&D) AND INNOVATION



### Our Approach

A strong focus on R&D and innovation is imperative if we are to produce cutting-edge products, services and solutions to meet the demands of our customers.

In keeping pace with the rapid technological development within the sectors we operate, we invest in R&D activities in particular, ship design, ship integration, equipment life extension programme and process improvement of our offered services.

We are developing processes to capture our R&D initiatives as an important component to the Group's business activities. This will enable us to capture our lessons learned and assist us in registering our Intellectual Property Rights to bring value to the Group.

## IMPACT OF PANDEMIC



### Our Approach

- The disruptive impact of the COVID-19 pandemic remains palpable.
- It has irrevocably transformed lives and businesses around the world.
- BHIC Group is committed to making every effort to safeguard the health and well-being of our varied stakeholders during this difficult time.
- Employee wellbeing is a key priority for us. We activated our Business Continuity Plan (BCP) at the very early stages of the pandemic in February 2020.
- As part of our BCP, a Work-From-Home Policy was initiated, which provided guidance to our employees on the procedures to work remotely away from the office.
- We have been able to comply with the various government guidelines on managing the COVID-19 pandemic and sustain our front and back office operations by encouraging employees to work from home whenever possible.
- In order to ensure that employees were able to function as well as possible remotely, we provided laptops and virtual private network (VPN) for them to access dedicated company applications.
- For employees whose jobs fell under essential services and were required to be physically present, we ensured adherence to stringent Standard Operating Procedures (SOPs) as directed by the various government authorities.





## SUSTAINABILITY PERFORMANCE - MATERIAL MATTERS

- We also ensured frequent sanitisation of common facilities, particularly areas where human touch points are prevalent. Hand sanitisers were placed at various locations and facemasks were issued to all employees.
- Those working on-site were also offered flexible working arrangements to minimise the possibility of contracting COVID-19. In addition, personal protective equipment (PPE) was provided to on-site employees.
- We are conscious of the importance of maintaining communications during a pandemic while complying with social distancing requirements. To this end, we have leveraged on digital means of communications including video conferencing and cloud-based content collaboration and management platforms to communicate with our employees as well as other stakeholders, to avoid physical interactions. Indeed, the pandemic has accelerated our adoption of technology. We are working towards fully leveraging on technology for business operations, training, customer service and marketing purposes.
- We were also able to continue complying with our disclosure requirements in line with our status as a listed entity. We successfully conducted our 2019 Annual General Meeting virtually on 21 July 2020. Communication with our shareholders and other stakeholders were undertaken through our Bursa Malaysia announcements as well as relevant news releases. At the same time, we also utilised our official social media platform to provide relevant updates.
- Our Core Information and Communication Technology (ICT) systems, applications and data protection and recovery are made robust via our ICT Disaster Recovery (ICTDR) plan. ICTDR mitigates impact from the adverse effects of natural and man-made disasters that could result in power supply disruption, damage or loss.

*Virtual meeting platforms helped us stay in touch among ourselves and our stakeholders*







## ENVIRONMENT

We strive to be environmentally responsible in our business operations. BHIC Group understands that our impact to the environment is far-reaching. It goes beyond our direct impact and includes the impact of our partners and customers.

To achieve the objective of ensuring compliance with environmental laws and regulations and minimise environmental risks, we have implemented various control mechanisms to protect our environment.



### WASTE AND WATER MANAGEMENT



#### Our Approach

Key to our effort to reducing our environmental footprint is effective waste and water management systems.

#### Water consumption (cubic metres)

**FY2020**

274,566





## SUSTAINABILITY PERFORMANCE - MATERIAL MATTERS

### Waste Management

Beyond our employees, we encourage responsible practices in waste management among our clients, suppliers and subcontractors. In this way, we help improve environmental awareness and contribute in a small way to responsible environmental custodianship for the benefit of future generations.

We encourage efficient waste management by reducing, reusing, recycling or recovering used materials. The waste generated from our operations are segregated accordingly.

The following specifies the amount of waste disposed by BHIC Group in 2020:

No.	Code of scheduled waste	Metric Tonnes (2020)
1	SW 104 – Dust, slag, dross or ash containing arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium or selenium excluding slag from iron and steel factory (PS Ball)	48.05
2	SW 305 – Spent lubricating oil	57.86
3	SW 306 – Spent hydraulic oil	1.63
4	SW 309 – Oil-water mixture such as ballast water	423.50
5	SW 312 – Oily residue from automotive workshop, service station oil or grease interceptor	0.18
6	SW 409 – Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	1.99
7	SW 410 – Rags, plastics, papers or filters contaminated with scheduled wastes	0.37
8	SW 416 – Sludges of inks, paints, pigments, lacquer, dye or varnish	0.59
9	SW 418 – Discarded or off-specification inks, paints, pigments, lacquer, dye or varnish products containing organic solvent	0.99
10	SW 427 – Mineral sludges including Calcium Hydroxide sludges, phosphating sludges, Calcium Sulphite sludges and carbonated sludges (soda lime)	6.90
11	SW 429 – Chemicals that are discarded or off-specification	0.058
12	SW 501 – Any residue from the treatment or recovery of scheduled wastes (Benzotriazole & water up-liquid)	0.099

## GREENHOUSE GAS (GHG) EMISSIONS) AND ENERGY MANAGEMENT

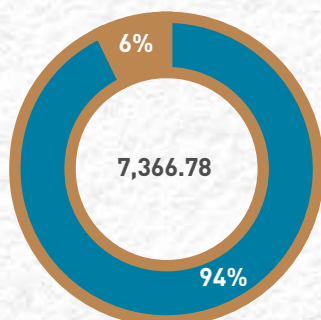


### Our Approach

In line with our aim to measure our energy consumption the extent of our impact on the environment more accurately and extensively, we report on both our Scope 1 as well as Scope 2 GHG emissions.

Tracking and monitoring our Scope 1 and Scope 2 emission sources allows us to better understand our emissions and energy consumption. Improvement to disclosure levels also creates the possibility for more informed and efficient allocation of capital to encourage our gradual transition to a more sustainable organisation with a lower carbon footprint.

Scope 1 & 2 GHG Emissions (tCO<sub>2</sub> e) in 2020



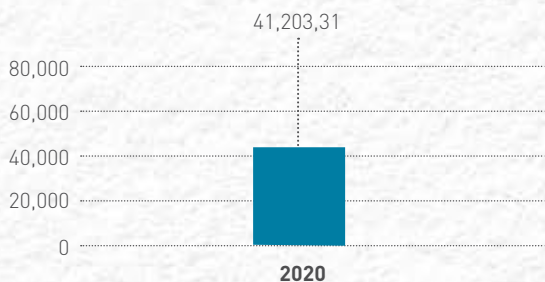
Scope 1

Scope 2

Scope 1: Direct emissions from assets and sources owned or controlled by the company






Scope 2: Indirect emissions from the generation of purchased energy (e.g. electricity)

Energy Consumption (Giga Joules) in 2020



This year, the Group recorded a 32% decrease in electricity consumption equivalent to approximately 3,296.8 tCO<sub>2</sub>e compared to FY2019.

### Breakdown of GHG Emissions by Sources

Category	2020 (In Tonnes)
 Heavy Machineries	349.45
 Welding & Oxygen-Cutting	17.31
 Cars	50.74
 Light Goods Vehicles	29.61
 Purchased Electricity	6,917.57 (9,802,600 kWh)
<b>Total (in Tonnes)</b>	<b>7,364.68</b>







## SUSTAINABILITY PERFORMANCE - MATERIAL MATTERS



### SOCIAL

We are focused on maximising employee welfare by fostering a healthy and conducive work environment that promotes safety, health, human rights and encourages good labour practices, while embracing the diversity of our workforce.

At the same time, we value our employees by offering competitive remuneration and benefits as well as opportunities for training and career progression. Our intention is to build a highly motivated and performing workforce.

Beyond employee welfare, the Group's corporate social responsibility initiatives allow us to contribute to the communities we operate within, particularly serving members of the Armed Forces, Veterans as well as their families.

### EMPLOYEE DIVERSITY PROFILE



With a Recruitment Policy that enforces the need for diversity and inclusion based on skills, we are able to harness the benefits of having diverse talent across different gender, ethnicity and age groups. Members of our diverse workforce contribute their unique experiences and skillset to drive solutions for present challenges while formulating new opportunities for the future.

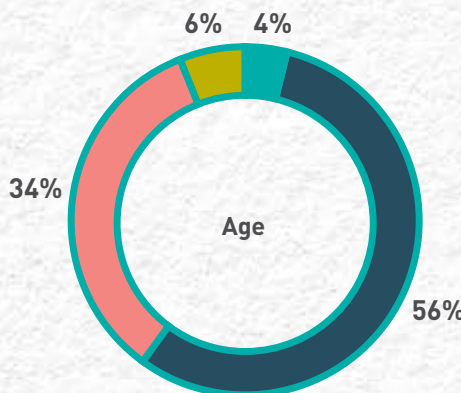
Moreover, we encourage the development of local talent, which underscores our commitment to strengthening the Malaysian economy as well as propelling the growth of the local defence, security and marine sectors as a whole.

### BHIC GROUP EMPLOYEE DEMOGRAPHICS IN 2020

Gender



**78% : 22%**



- Gen Z – Born after 1995
- Millennials – Born between 1981 to 1994
- Gen X – Born between 1965 to 1980
- Baby Boomers – Born between 1946 to 1964

## OCCUPATIONAL SAFETY AND HEALTH



### Our Approach

Given the risks that our employees face in the sectors that we operate, we are conscious of our duty to ensure that their health and safety are always safeguarded.

Safety and health precautions are incorporated into our operations through processes and controls that are consistent with all national and international standards and regulations.

The Group's Safety and Health Policy adheres to the principles of the International Labour Organisation (ILO), Malaysia's Department of Occupational Safety and Health (DOSH) as well as the Occupational Safety and Health (OSH) Act 1994.

We have in place functional measures that alleviate workplace hazard related risks.

The Group recorded zero fatality across all operations in 2020. The Group as a whole achieved 1.8 Lost Time Injury Frequency Rate.



### Certified Safety Officers

**9** personnel



### Lost Time Injury Frequency Rate (LTIFR)

**2020**

1.8

LTIFR =  $\frac{\text{Lost time injury accident}}{\text{Total man hours worked}} \times 1,000,000$

## EMPLOYEE TRAINING, EDUCATION AND DEVELOPMENT



Our employees are critical to our growth and success and we are committed to enhancing their capabilities. Our human capital development approach is premised on nurturing a high-performance culture to generate growth. To this end, we offer unique career development opportunities through continuous training and education as well as personal development initiatives.

### Our Approach

As part of our investment in the growth of our talent, we provide various opportunities for employees to upskill and expand their horizons.

- Employees are the backbone of our company. Given this undeniable fact, we are also actively invested in ensuring the sustainability of our operations through a systematic approach to training, job rotation, recruitment and succession planning.
- Engineering and project management are some of our key focus areas for training and development initiatives, as they signify critical skills that are important to the line of work of our employees.
- We also offer opportunities for personal growth, focused on enhancing soft skills.





## SUSTAINABILITY PERFORMANCE - MATERIAL MATTERS

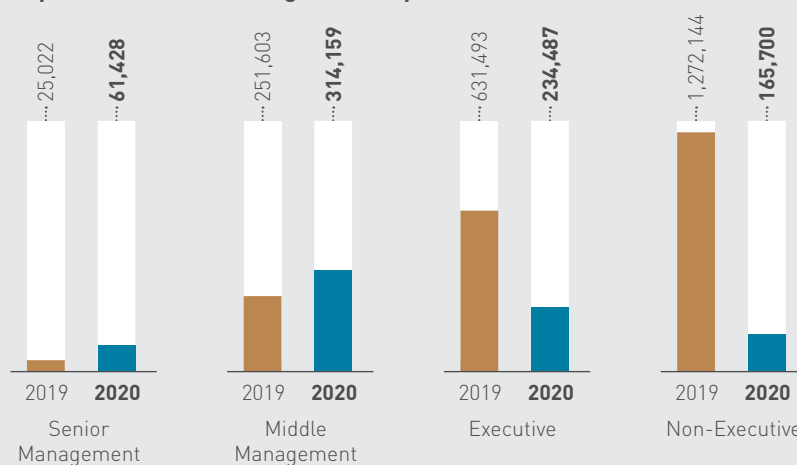
### Performance Highlights

#### Total Expenditures for Training & Development

RM 778,774

The expenditures for training is very much reduce as compared from the previous years due to COVID-19 pandemic which resulted in cancellation of physical training.

#### Expenditures for Training & Development



At the same time, employees are encouraged to obtain professional certification, sponsored by the Group especially for Project Management Professional (PMP) and Professional Engineer Development Programme Coaching (PEDP)



#### Total of PMP and PEDP sponsored by BHIC Group in 2019 and 2020

##### PMP

23 employees

##### PEDP

33 employees



### LABOUR PRACTICES AND HUMAN RIGHTS

#### Our Approach

The Group upholds universal human rights. Respect for human rights is embedded in our corporate culture.

We hold ourselves and our employees to the highest ethical standards in deference to our core values as reflected by BHIC acronym (Belonging, Honour, Integrity and Commitment).

As an equal opportunity employer, we do not discriminate based on race, nationality, gender, religion, disability, age, place of origin or any other distinguishing characteristic.



3 GOOD HEALTH  
AND WELL-BEING10 REDUCED  
INEQUALITIES11 SUSTAINABLE CITIES  
AND COMMUNITIES

## COMMUNITY CONTRIBUTIONS AND DEVELOPMENT

### Our Approach

BHIC Group's deep commitment to creating positive social outcomes is underscored by our support of causes that resonate with our core values.

Upholding the value of social equality, we strive to empower marginalised societies by investing time and resources to make a positive impact.

The COVID-19 pandemic continues to severely impact lives across the world. On Malaysian shores, the Government has rightly called for the corporate sector and non-governmental organisations (NGOs) to work together to aid in the fight against the pandemic.

During this challenging time, BHIC Group stepped up to assist local communities where we live and work.

Since the outbreak of the pandemic, our frontline workers have been tirelessly fighting to control the spread of the virus. Our joint venture company, Boustead DCNS Naval Corporation Sdn Bhd (BDNC) based in Kota Kinabalu undertook various initiatives in support of medical frontliners in Sabah.



CSR activities carried out by BDNC in 2020 include donating equipment to hospitals, a school and a child care center plus raising funds in the fight against COVID-19 pandemic.





## SUSTAINABILITY PERFORMANCE - MATERIAL MATTERS

In addition, BNS also contributed to improving the quality of life of those in our surrounding communities, including underprivileged families, members of the Armed Forces as well as Armed Forces veterans, through several CSR activities throughout 2020 as below:

- Sponsorship of *Aktiviti Larian Minda Sihat Manjung 2020* in conjunction with World Mental Health Day
- Donation to *Pertubuhan Membantu Pesakit Parah Miskin Malaysia*, Kuala Lumpur for the purchase of hearing aids
- Donation to *Tabung Pahlawan 2020* benefitting Persatuan Veteran TLDM Cawangan Negeri Perak
- Contribution to *Rumah Kebajikan Kanak-Kanak Sanathana Dharma Ashram*, Sitiawan to fund their Deepavali celebration
- Sponsorship of *Kejohanan Mini Olimpik TLDM 2020*
- Organised fundraising for An-Nur Young Boys FC Football Academy
- Organised Sports Day for *Sekolah Kebangsaan Dato' Ishak* in Lumut, Perak



BNS staff participated in a blood donation drive organised by Hospital Seri Manjung in Lumut, Perak to generate public awareness about the importance of donating blood to save lives.



KC Low, COO of BNS (second from left) and several BNS staff under the canopy tent that was donated to Pejabat Kesihatan Daerah Manjung.

Our joint venture company, BHIC AeroServices Sdn Bhd carried out the following community activities:

- Provision of *Wakalah Zakat* (alms) to qualified groups in the community
- Partaking in korban activity in conjunction with *Hari Raya Aidil Adha*, together with the Malaysian Maritime Enforcement Agency (MMEA) as well as Royal Malaysian Air Force (RMAF) Kuantan and RMAF Labuan personnel
- Contribution of face masks, vitamins and mineral water to RMAF Kuantan frontliners



## 2020 BHIC SUSTAINABILITY ACTIVITY

Appreciating the need to cultivate a culture of sustainability awareness, in November 2020, we launched the Group's inaugural Sustainability Contest titled "Garden to Kitchen" to promote the value of sustainable living among our employees. Participants were required to plant vegetables or flowers utilising recyclable materials.

The contest received encouraging response from our employees. We view it as a promising first step and look to organise more initiatives that allow our employees to take active stewardship of the environment.



1. Ahmadi Ahmad Hanapiah, 1<sup>st</sup> Prize Winner (Category A) (right) with Low Kok Chiang, COO of Boustead Naval Shipyard Sdn Bhd
2. Elizabeth Anak Jasan, 2<sup>nd</sup> Prize Winner (Category A) (right) and Rumaizah Akumin, Senior Technical Executive, BHIC Navaltech Sdn Bhd
3. Nor Azalia Ruslan, 1<sup>st</sup> Prize Winner (Category B)(right) with Low Kok Chiang, COO of Boustead Naval Shipyard Sdn Bhd
4. Sarimah Mat Isa, Manager Group Business Development & Commercial, BHIC and Nor Maiyusra Jamalluddin, BHIC KL 2<sup>nd</sup> Prize Winner (Category B)
5. Nur Azriyani Mohd Azhan, BNS, 3<sup>rd</sup> Prize Winner (Category B)& Best Caption Winner with Low Kok Chiang





## SUSTAINABILITY PERFORMANCE - MATERIAL MATTERS

### Moving Forward with our Sustainability Agenda

We are committed to advancing our sustainable practices for long term value creation for our business, our stakeholders, the economy, the environment and society. To this end, the Group is dedicated to embedding sustainability into all aspects of our operations and business strategies.

In the coming years, we endeavour to strengthen our sustainability KPIs data collection and integrity. This will help us to benchmark, identify and reduce our carbon footprint by addressing and minimising our consumption and generation of pollution through our activities.

The Sustainability Report has been approved by the Board of Directors at its Meeting on 28 May 2021.



BNS hosted a visit by Senior Minister of Defense Malaysia, Dato' Sri Ismail Sabri Yaakob (seated) and his delegation from MINDEF on 15 November 2020, as part of our continuous engagement with our stakeholders.

# AUDIT COMMITTEE REPORT

## MEMBERS AND MEETINGS

A total of seven (7) meetings were held during the year. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set out below:

Name of Director	Status of Directorship	Independent	Attendance of Meetings
(Dr.) Salihin Abang	Independent Non-Executive Director (Chairman of the Committee)	Yes	7/7
Tan Sri Dato' Wira Aziah Ali	Independent Non-Executive Director	Yes	7/7
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali ( <i>Retired</i> )	Non-Independent Non-Executive Director	No	7/7
Dato' Maznah Abdul Jalil ( <i>resigned on 18 August 2020</i> )	Non-Independent Non-Executive Director	No	4/5
Hajah Saadatul Nafisah Bashir Ahmad	Independent Non-Executive Director	Yes	7/7

The Audit Committee membership is in line with Paragraph 15.09 & 15.10 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities and Malaysia Code of Corporate Governance (MCCG) Practice 8.1 & 8.2, in which:



The Audit Committee meetings were also attended by the Chief Executive Officer, Acting Chief Financial Officer and Head of Group Internal Audit at the Audit Committee's invitation as and when appropriate. The Audit Committee also met with the external auditors during the year on two separate sessions, without the presence of management. The meetings have been appropriately structured with Audit Committee members receiving notices, agendas and papers sufficiently in advance of the meetings.

The Audit Committee Chairman reports to the Board on principal matters deliberated at the Audit Committee meetings.

Minutes of each Audit Committee meeting are recorded and tabled for confirmation at the following meeting and

subsequently presented to the Board for notation. The Audit Committee Chairman also conveys to the Board matters of significant concern as and when raised by the external auditors or internal auditors.

All members of the Audit Committee have and will continue to undertake professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of the Audit Committee members' training can be viewed in pages 80-84 of this Annual Report.

The Audit Committee Terms of Reference (TOR) is accessible for viewing on the Company's official website at [www.bhic.com.my](http://www.bhic.com.my)





## AUDIT COMMITTEE REPORT

### SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Audit Committee carried out its duties as set out in its Terms of Reference. The main activities undertaken were as follows:



#### Financial Reporting

1. Reviewed the quarterly unaudited financial results and audited annual financial statements of the Group to ensure compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors.
2. Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements.
3. Obtained assurance from the Acting Chief Financial Officer that:
  - appropriate accounting policies had been adopted and applied consistently;
  - the going concern basis applied in the annual financial statements and quarterly financial statements was appropriate;
  - prudent judgements and reasonable estimates had been made in accordance with the Malaysian Financial Reporting Standards (MFRS);
  - adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs and MMLR; and
  - the annual financial statements and the quarterly financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2020.



#### External Audit

During the year, the Audit Committee together with the external auditors:

1. Reviewed the 2020 audit plan and scope of work for the Group
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. Assessed the performance of the external auditors, their independence and objectivity
4. Discussed on audit reports and evaluation of the systems of internal control
5. Reviewed major audit findings and reservations arising from the interim and final audits, significant accounting issues and any matter the external auditors may wished to discuss
6. Discussed the external auditors' review of the Statement on Risk Management and Internal Control for 2020
7. Reviewed the external auditors' management letter(s) and management response(s).

The Audit Committee also met with the external auditors twice during the year in the absence of Management to discuss amongst others, audit issues and reservations arising from the interim and final audits.

The external auditors have assured the Audit Committee that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2020.

The external auditor's service fees including the statutory audit fees are available on page 101 of this Annual Report.



### Internal Audit

During the year, the Audit Committee:

1. Reviewed with the internal auditors their annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group
2. Reviewed and deliberated internal audit reports and to monitor/follow-up on remedial action
3. 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 a timely basis
4. Reviewed the adequacy of resources and competencies of staff within Group Internal Audit (GIA) of Boustead Holdings Berhad (the immediate Holding Company of BHIC) allocated to execute the annual audit plan for the Group, including its associate company Boustead Naval Shipyard Sdn. Bhd.
5. Reviewed the effectiveness of internal audit processes of GIA and the results of the work
6. Reviewed the Audit Committee Report and the Corporate Governance Overview Statement and recommended to the Board for approval prior to their inclusion in the Company's annual report.



### Related Party Transactions

During the year, the Audit Committee:

1. Reviewed the Circular to Shareholders relating to shareholders' mandate for related party transactions of revenue or trading nature prior to recommending it for Board's approval
2. Monitored the related party transactions entered by the Company and the Group pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 24 June 2020
3. Reviewed the related party transactions entered by the Company and the Group as well as the disclosure and the procedures relating to related party transactions
4. Reviewed the Framework and Procedures on related party transactions in order for the said framework to be in line with the provisions of the MMLR.



### Internal Audit Function

The Audit Committee is supported by Group Internal Audit (GIA) of Boustead Holdings Berhad (the immediate Holding Company of BHIC), headed by Ahmad Fazril Mohd Fauzi, a member of The Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA) with over 14 years of working experience in a wide range of fields including finance and accounting, risk management, integrity, governance, property and plantation.

GIA's principal responsibility is to evaluate and improve the effectiveness of the governance, risk management, and controls and recommend improvements to the processes, where required, for the Group. This is accomplished through a systematic and disciplined approach of regular reviews and appraisals of the management, control and governance processes, based on the review plan that is approved by the Audit Committee annually.



## AUDIT COMMITTEE REPORT



GIA adopts a risk-based methodology in planning and conducting audits by focusing on key risks areas and activities that are aligned with the Group's strategic plans. GIA has also adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF) promulgated by The Institute of Internal Auditors.

The terms of reference of GIA are clearly spelt out in the Internal Audit Charter. GIA has operated and performed in accordance with the principles of the Charter that provides for its independence. GIA reports directly to the Audit Committee and is independent of the activities it audits.

For the financial year ended 31 December 2020, GIA completed and issued internal audit reports for six (6) assignments based on the approved annual audit plan. Nine (9) internal auditors were assigned to perform the audits during the year. The audits conducted in 2020 covered a wide range of operational areas within the Group (including its associate company Boustead Naval Shipyard Sdn. Bhd.) which include maintenance, repairs and operations of aircrafts, strategic planning & transformation, information systems, and yard services. The corresponding audit reports were presented to the Audit Committee for attention, deliberation and corrective actions. The internal audit costs for the year are available on page 91 of this Annual Report.

During the financial year, GIA undertook the following activities:

- Prepared the annual audit plan for approval by the Audit Committee
- Performed risk-based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports
- Conduct root-cause analysis as part of the internal audit work to enable relevant recommendations to address any weaknesses noted

- Issued internal audit reports on risk management, control and governance issues identified from the risk-based audits together with recommendations for improvements for these processes
- Undertook ad-hoc review on matters arising from the audits and/or requested by the Management and/or Audit Committee and issued reports accordingly
- Reported on a quarterly basis to the 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 Audit Committee the achievement of the audit plan and status of resources of GIA
- Conducted regular follow-up and monitoring on the implementation of recommendations made to ensure that appropriate corrective or preventive actions were taken on a timely basis or within agreed timelines
- 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 entered into by the Group to ensure that the transactions have been conducted on the Group's normal commercial terms and are not to the detriment of the Group's minority shareholders
- Conducted workshops and communication sessions with the Management and operational staff on internal controls, internal audit observations and proposed action plans on the areas covered during the audit processes.

All audit work for the internal audit function during the year was conducted in-house. There were no areas of the internal audit programmes which were outsourced.





### Resources and Continuous Professional and Competency Development

GIA has an adequately resourced internal audit function to assist the Audit Committee and the Board in maintaining an effective system of internal control and overall governance practices. As at 31 December 2020, there were a total of 35 internal auditors in Boustead Holdings Berhad in which they are teamed based on the various divisions within Boustead Group.

GIA continues its commitment to equip their internal auditors with the sufficient knowledge, skills and competencies to discharge their duties and responsibilities. They had attended various relevant training and courses as well as are strongly encouraged to obtain appropriate professional certifications and qualifications.

As at 31 December 2020, there were nine (9) qualified professionals in GIA who possess various professional qualifications and/or certifications as shown below:

QUALIFICATION	NO. OF CERTIFICATION OBTAINED
1. MBA/Masters	5
2. FCCA/CPA/CA/ACCA	7
3. Certified Internal Auditor (CIA)	1
4. Certified Fraud Examiner (CFE)	4



# CORPORATE GOVERNANCE STATEMENT

**This Corporate Governance Overview Statement sets out the principal features of BHIC Group (“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 of the Group. 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 at [www.bhic.com.my](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, Audit Committee Report and Sustainability Report.

## CORPORATE GOVERNANCE APPROACH

The Board of Directors (Board) of BHIC is committed towards reinforcing the company’s market position in the heavy industries sector, whilst remaining true to the Group’s well-established corporate governance philosophies which are ingrained in its 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, namely at the Board and Senior Management levels;
- 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.

The Board forms the pivot of good corporate governance in the Company. As such, it plays a leading role in steering efforts to promote meaningful and thoughtful application of good corporate governance practices. The Group regularly reviews its corporate governance arrangements and practices to ascertain that they reflect prevailing norms, market dynamics, emerging trends, developments in the regulatory framework and evolving stakeholder expectations.

## SUMMARY OF CORPORATE GOVERNANCE PRACTICES

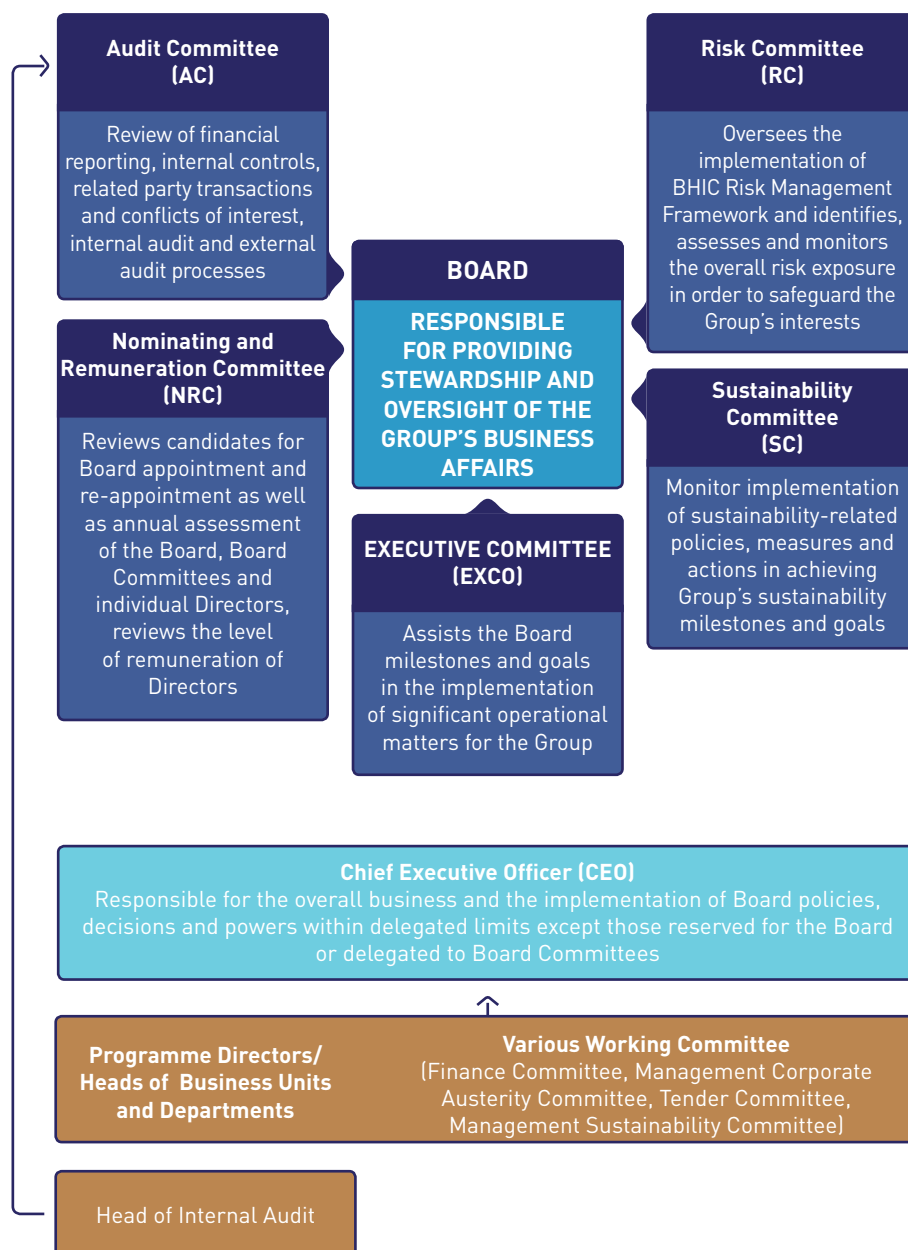
As a manifestation of the Group's commitment towards sound corporate governance, the Group has benchmarked its practices against the relevant promulgations as well as the best practices in corporate governance.

BHIC applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2020 except:

- Practice 4.5 (Policy on Gender Diversity);
- 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).

In line with the latitude accorded in the application mechanism of MCCG, the Company had provided forthcoming and appreciable explanation 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.

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







## CORPORATE GOVERNANCE STATEMENT

The Board and the Board Committees are guided by a Board Charter and their respective Terms of Reference which set out the ethos of the Board and the Board Committees as well as their structure and authority. The Board Charter is the primary document that elucidates on the governance of the Board, Board Committees and individual Directors. The Board Charter and the Terms of Reference of the Board Committees are made available on the BHIC's website at [www.bhic.com.my](http://www.bhic.com.my) and was last reviewed on 20 November 2019.

During the year, the Board has deliberated on business strategies and critical issues concerning the Group. These include its 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 2020 is shown below:

Director	Board	AC	NRC	RC	SC	EXCO
<b>Non-Independent Non-Executive Directors</b>						
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali ( <i>Retired</i> ) <sup>1</sup>	17/17	7/7	12/12		2/2	11/11
Dato' Maznah Abdul Jalil <sup>2</sup>	17/17	4/5		2/3	3/3	
Izaddeen Daud <sup>3</sup>	6/10			1/1	1/1	
Fahmy Ismail <sup>4</sup>	5/7			2/2		
<b>Independent Non-Executive Director</b>						
Rozi Baharudin	17/17		12/12			11/11
Admiral Tan Sri Dato' Seri Panglima (Dr.) Ahmad Kamarulzaman Hj Ahmad Badaruddin ( <i>Retired</i> ) <sup>5</sup>	8/9			2/2		
Tan Sri Dato' Wira Aziah Ali	16/17	7/7			3/3	7/11
Dr. Salihin Abang <sup>6</sup>	17/17	7/7		3/3	2/2	10/11
Hajah Saadatul Nafisah Bashir Ahmad	17/17	7/7	11/12		3/3	
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman ( <i>Retired</i> ) <sup>7</sup>	17/17		11/12	1/1		10/11
Datuk Norliza Abdul Rahim <sup>8</sup>	5/5					

■ Board/Board Committee Chairman

■ Member

### Notes:

<sup>1</sup> Resigned as Member of RC on 18 August 2020

<sup>2</sup> Resigned as Member of AC on 18 August 2020

<sup>3</sup> Appointed as Chairman of RC and Member of SC on 18 August 2020

<sup>4</sup> Resigned as Non-Independent Non-Executive Director and Member of RC on 11 June 2020 and re-appointed as Non-Independent Non-Executive Director on 4 March 2021

<sup>5</sup> Retired as Independent Non-Executive Director and Chairman of RC on 21 July 2020

<sup>6</sup> Resigned as Member of SC on 18 August 2020

<sup>7</sup> Appointed as Member of RC on 18 August 2020

<sup>8</sup> Appointed as Independent Non-Executive Director on 1 September 2020

<sup>9</sup> EXCO was dissolved on 22 May 2020

There is clear delineation of roles of the Board and Management. The CEO is the intermediary between the Board and the Management in driving the success of the Group's governance and management function. The CEO implements the Board's policies and decisions towards meeting the Company's business objectives. The Chairman is responsible for leading and guiding the Board whilst maintaining the highest standard of governance. The Chairman also serves as the main link between the Board and Management, particularly between the Board and the CEO.

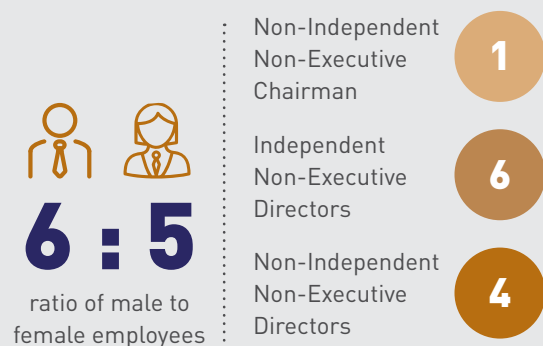
To ensure abidance to the law, the Board and Management receive advice from the Company Secretaries on statutory, regulatory and corporate developments, as well as on the

implementation of corporate governance measures and compliance as applicable to the Group. All Directors have full access to the advice and services of the Company Secretaries, who are qualified to act as Company Secretary under the Companies Act 2016.

As Integrity is a core value of the Group, the Board is cognisant of its responsibility to set the ethical tone for the 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 any risk of reprisal. The Code of Ethics and Whistleblowing Policy are reviewed periodically by the Board and published on the BHIC's website at [www.bhic.com.my](http://www.bhic.com.my).

## BOARD COMPOSITION

### BOARD COMPOSITION:



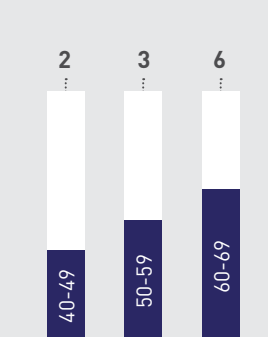
During the year under review, the Board comprised of nine (9) members, 6 of whom are Independent Non-Executive Directors. The composition of the Independent Directors on the Board is above the requirement of the MMLR. The Board strives to ensure that it has an appropriate mix of skills, qualifications and experience to discharge its roles and responsibilities effectively. The Board, from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities.

The appointment of Board members is made via a formal, rigorous and transparent process premised on meritocracy. They take into account objective criteria such as qualification, skills, experience, professionalism, integrity and diversity of candidates to help shape and steer the Group's strategic direction. In the case of the appointment of Independent Directors, the Board assesses the candidates' ability to bring the element of detached impartiality and objective judgment to boardroom deliberations.

The Board, through the assistance of the Nominating and Remuneration Committee (NRC) assesses the appropriate skills, experience, independence and diversity of candidates as part of its selection exercise required collectively for the Board to effectively fulfill its roles.

Overall, the Board is satisfied with the existing number and composition of its members and is of the view that the Board comprises a good mix of members with diverse academic backgrounds to provide for a collective range of skills, expertise and experience which are relevant to support the growth and cope with the complexities of the Group's businesses.

### AGE COMPOSITION:



The Board is satisfied that there is mutual respect among Directors which contributes to a democratic environment so as to constructively deliberate and undertake a robust decision-making process.

The Board reviews its performance, and the Board Committees and individual Directors on an annual basis based on a set of predetermined criteria deliberated by the NRC. During the year under review, the NRC deliberated and assessed the overall performance and effectiveness of the Board and Board Committees. The Nominating & Remuneration Committee is satisfied that the Board and Board Committees' composition has fulfilled the criteria required and features the right blend of knowledge, experience and appropriate skills. The findings of the evaluation for individual Directors will also be used as a basis for determining the re-election of Directors at the Annual General Meeting of the Company.

In reviewing the independence of Independent Directors, the NRC adopted a qualitative approach. This entails an assessment on whether they 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. As such, the Board remains watchful for such indicators of entrenchment amongst long serving Independent Directors.



## CORPORATE GOVERNANCE STATEMENT

### REMUNERATION

The Board has established a formal and transparent process in determining the appropriate remuneration package for the Board. The Board, with the assistance of the NRC, reviews the level of remuneration of Directors to ensure that it is sufficient to attract and retain the Directors needed to lead the Company towards success. The level of remuneration reflects the experience and level of responsibilities undertaken by the Directors.

A review on the quantum and composition of Non-Executive Directors' remuneration is undertaken once every four years. The details for the remuneration of Directors for the financial year ended 31 December 2020 for BHIC and its Group of companies are as follows:-

Company				Group		
Non-Executive Directors						
Director	Fees FY2020 (RM'000)	Allowance FY2020 (RM'000)	TOTAL COMPANY (RM'000)	Fees FY2020 (RM'000)	Allowance FY2020 (RM'000)	TOTAL GROUP (RM'000)
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali <i>(Retired)</i>	157	81	238	241	84	325
Rozi Baharudin	128	54	182	160	61	221
Admiral Tan Sri Dato Seri Panglima (Dr.) Ahmad Kamarulzaman Ahmad Badaruddin <i>(Retired)</i> <i>(Retired on 21 July 2020)</i>	45	12	57	45	12	57
Dato' Maznah Abdul Jalil	130	36	166	162	36	198
Fahmy Ismail <i>(Resigned on 11 June 2020 and re-appointed on 4 March 2021)</i>	35*	7	42	39*	7	46
Tan Sri Dato' Wira Aziah Ali	109	45	154	156	56	212
(Dr.) Salihin Abang	203	52	255	238	58	296
Hajah Saadatul Nafisah Bashir Ahmad	147	52	199	180	58	238
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman <i>(Retired)</i>	197	56	253	197	56	253
Izaddeen Daud <i>(Appointed on 11 June 2020)</i>	44*	10	54	44*	10	54
Datuk Norliza Abdul Rahim <i>(Appointed on 1 September 2020)</i>	25	10	35	25	10	35
<b>Total</b>	<b>1,220</b>	<b>415</b>	<b>1,635</b>	<b>1,487</b>	<b>448</b>	<b>1,935</b>

Notes:

- \* Payment paid to Boustead Holdings Berhad
- Included above are year 2020 accrued Directors' Fees of RM273,000 and RM345,000 for Company and Group, respectively.



## AUDIT COMMITTEE

The Audit Committee (AC) 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 is chaired by an Independent Director who is not the Chairman of the Board. 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 Audit Committee Report in the Annual Report.

## RISK MANAGEMENT AND INTERNAL CONTROLS FRAMEWORK

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its corporate objective. This is done by providing risk-related information which facilitate the formulation of the Group's strategies and decision making. The Group has established policies and framework related to the management of its business risks by adopting a Risk Management Policy. The Group Risk Management Department, reviews and maintains detailed risk registers which are updated quarterly. Key focus areas of risks are reported and deliberated at the Risk Committee (RC) meetings.

The Board through the RC reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system of the Group to ensure that significant risks faced by the Group are being managed appropriately to respond to the changes in the business environment.

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

Further information on the Group's Risk Management and Internal Control framework is made available on the Statement of Risk Management and Internal Control of this Annual Report. The details of the Risk Management and Internal Control Framework of the Group are disclosed in the Company's Annual Report under the Statement of Risk Management and Internal Control.

All resolutions approved at meeting dated 28 May 2021.

## COMMUNICATION WITH STAKEHOLDERS

The Group upholds its commitment in ensuring transparent, accurate and timely communication with its shareholders and stakeholders to enable them to make informed decisions to their benefit.

The Group also places strong emphasis on timely and equitable dissemination of information to shareholders and stakeholders. The main modes of communication with external stakeholders include Annual Report, quarterly results, announcements to Bursa Malaysia Securities Berhad, Sustainability Report, BHIC's corporate website, social media on LinkedIn and engagement sessions with vendors. Communication with staff is via internal memo, e-mail, BHIC's Intranet portal MyCompass, newsletter and Town Hall meetings.

The email address for investor relations related matters of the Group is:  
**[investor\\_inquiry@bhic.com.my](mailto:investor_inquiry@bhic.com.my)**



## CORPORATE GOVERNANCE STATEMENT

### FOCUS AREAS ON CORPORATE GOVERNANCE

The Board is committed towards continuous enhancement of governance practices throughout the Group. In 2020, the Group embarked the following activities:-



#### i. Establishment of Compliance Function

The Group took the initiative to promote a strong compliance culture to reflect high ethical standards and integrity within the organisation. The Group Risk Management Department (GRMD) oversees the Group's compliance functions by reviewing and proposing policies promoting good governance and compliance with rules and regulations.

One of the areas to be addressed is the establishment of "adequate procedures" to prevent the occurrence of corrupt practices pursuant to the Malaysian Anti-Corruption Commission (Amendment) Act 2018.



#### ii. Professional Development of Directors

During the year under review, BHIC Directors were provided with the opportunity to develop and enhance their skills and knowledge. They attended various training programmes to keep themselves abreast with changes in legislative promulgations and in the areas of leadership, governance, finance, management and industry practices. The Board, through the NRC was satisfied with the type of programmes attended by the Directors during the year to enhance their knowledge and performance.

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

No.	Director	Training Attended	Date
1.	Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)	1. Risk Mitigation Measures for Employers Amidst COVID-19 2. Boardroom Appointments - Making Diversity Work" (Webinar) 3. Board Retreat 2020 4. Fraud Risk Management Workshop	28.04.2020 02.07.2020 23&24.09.2020 03.11.2020
2.	Rozi Baharudin	1. SMEs: The Mindset to Adopt During a Crisis 2. Boardroom Appointments - "Making Diversity Work" (Webinar) 3. Board Retreat 2020 4. "Half the Sky" with Miwa Kato of the United Nations (Webinar)	11.06.2020 02.07.2020 23&24.09.2020 11.12.2020
3.	Tan Sri Dato' Wira Aziah Ali	1. Boardroom Appointments - Making Diversity Work" (Webinar) 2. Full-Day Seminar on 'Unpacking Corporate Liability Section 17A of the MACC Act 2009 and the Guidelines on Adequate Procedures for Practical Application" 3. Board Retreat 2020 4. "Half the Sky" with Miwa Kato of the United Nations (Webinar)	02.07.2020 15.09.2020 23&24.09.2020 11.12.2020



No.	Director	Training Attended	Date
4.	Dato' Maznah Abdul Jalil	1. Malaysia Post GE 14's Trade and Foreign Policies: Impact on Malaysia Capital Market	28.02.2020
		2. Digital Economy and Capital Market Series: Financial Technology (FinTech), Artificial Intelligence (Ai), Big Data and Internet of Things (IOTs)	18.04.2020
		3. MIA's Engagement Session with Audit Committee Members on Integrated Reporting	30.04.2020
		4. ACI Breakfast Roundtable 2019 – Corporate Liability – Governance Revelations from Inquest Reports – Business Continuity Management (BCM) – Counting the costs and benefits: Critical Perspective.	08.06.2020
		5. Board Retreat 2020	23&24.09.2020
		6. The Malaysian Economic Summit 2020 – COVID-19: Assessing Financial & Economic Impacts & Its Aftermath	12.10.2020
		7. The Malaysian Economic Summit 2020 – Malaysia 2021 & Beyond: Jobs & Economy	12.10.2020
		8. MASB Engagement Session on IFRS Foundation's Consultation Paper – Sustainability Reporting	13.10.2020
5.	(Dr.) Salihin Abang	1. How Finance Works	29.01.2020
		2. ISQC 1 Implementation	01.02.2020
		3. ISA 510: Initial Audit Engagements – Opening Balances	04.02.2020
		4. Audit Technology: CaseWare Training	11.02.2020
		5. MFRS: Lease Accounting	13.03.2020
		6. Stakeholder Engagement – Stakeholder Primary: Increase Emphasis on ESG	06.04.2020
		7. Digitalisation: Review Competitive Strategies using AI: A Board's Perspective	07.04.2020
		8. Crisis Management: Readiness, Response & Recovery's Perspective	08.04.2020
		9. Authentic Leadership – Leadership Today: Authentic, open & Transparent	09.04.2020
		10. Digitalisation: Cybersecurity Consideration Amid A Global Pandemic	13.04.2020
		11. Authentic Leadership: Leadership in Times of Distress	14.04.2020
		12. Crisis Management: Managing HR for the Long Haul: Road to Recovery	15.04.2020
		13. Stakeholder Engagement: In Times of Crisis: Stakeholders Take Center Stage	16.04.2020





## CORPORATE GOVERNANCE STATEMENT



No.	Director	Training Attended	Date
5.	(Dr.) Salihin Abang	14. Crisis Management – Leading Through Crisis and Uncertainty: Harnessing Mental Health and Resilience to Navigate Storms of Change 15. PowerTalk: The Path to the Next Normal: So What Now for Leadership? 16. Stakeholder Engagement: Rasing Corporate Risks of Weaponized Fake News 17. Report of the MIER National Economic Outlook 2020/2021 18. A Change for Better Comparability and Transparency of Companies' Performance Reporting 19. Tax Matters on COVID-19 Stimulus Package 20. COVID-19 Impact on Accounting, Reporting and Internal Controls – Brief Comments 21. Comprehensive Review of the IFRS for SMEs Standard 22. Impact COVID-19 on Audit of Financial Statements 23. Audit of Key Concerns Due to COVID-19 Outbreak and Under MCO Circumstances 24. Governance in the New Norm 25. Enterprise Risk Management Considerations post COVID-19 26. Accounting for COVID-19 27. Integrated Reporting <IR> and Impact of COVID-19 on Value Creation 28. Proposed Guidance: Extended External Reporting (EER) Assurance 29. Palm Oil in the Post-Pandemic Market 30. The Mindset to Adopt During a Crisis 31. Digital Transformation for SMEs in a Time of Crisis 32. Business Combinations: Disclosures, Goodwill and Impairment – What's the Current Proposed Thinking? 33. Strategic Tax Initiatives Post COVID-19 34. Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009: The Essential Steps 35. Practical Audit Quality Considerations – Performing the Audit in the Pandemic Environment 36. Sec 17A MACC: Anti Bribery and Corruption from Islamic Perspective	20.04.2020  21.04.2020 22.04.2020 23.04.2020 27.04.2020 27.04.2020 28.04.2020 28.04.2020 30.04.2020 07.05.2020 12.05.2020 12.05.2020 13.05.2020 22.05.2020 10.06.2020 11.06.2020 11.06.2020 18.06.2020 18.06.2020 19.06.2020 09.07.2020 16.07.2020 17.07.2020



No.	Director	Training Attended	Date
5.	(Dr.) Salihin Abang	37. National AML/CFT Compliance Programme for Accountants 38. National Tax Conference 39. Impairment of Assets & Financial Assets in accordance with MFRS 136 & MFRS 9 40. COVID-19: Managing Transfer Pricing Risks and Cash Flow Does Matter to MNEs 41. Seminar on Unpacking Corporate Liability Section 17A of the MACC Act 2009 and the Guidelines on Adequate Procedures for Practical Application 42. The Auditor's Responsibilities. Relating to Fraud in an Audit of Financial Statements 43. Board Retreat 2020 44. ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures 45. The role of Board of Directors in Malaysian Public Listed Companies 46. Qualified Risk Director Series 13: Establishing an Empowered Audit Committee 47. Qualified Risk Director Series 14: Audit Committee's Guide to COSO 2013 and Internal Controls 48. The Future of Accounting Is Here 49. ISA 600 Special Considerations – Audits of Group Financial Statements	21.07.2020 25-26.08.2020 03&10.09.2020 09.09.2020 15.09.2020 22&23.09.2020 23&24.09.2020 27&28.10.2020 29.10.2020 02.11.2020 02.11.2020 05.11.2020 09.11.2020
6.	Hajah Saadatul Nafisah Bashir Ahmad	1. Webinar – Data Driven for Finance and Accounting Professionals 2. Risk Mitigation Measures for Employers Amidst COVID-19 3. Feedback on COVID-19 Webinar: Audit Implications 4. Boardroom Appointments – Making Diversity Work” (Webinar) 5. Board Retreat 2020 6. Fraud Risk Management Workshop 7. “Half the Sky” with Miwa Kato of the United Nations (Webinar)	12.05.2020 28.04.2020 20.06.2020 02.07.2020 23&24.09.2020 03.11.2020 11.12.2020
7.	Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)	1. Boardroom Appointments - Making Diversity Work” (Webinar) 2. Board Retreat 2020	02.07.2020 23&24.09.2020
8.	Izaddeen Daud	1. Key Disclosure Obligations of a Listed Company – Financial Reporting 2. Board Retreat 2020	06.07.2020 23&24.09.2020
9.	Datuk Norliza Abdul Rahim	1. Prasarana Board of Directors Retreat 2. Fraud Risk Management Workshop	12.10.2020 01.12.2020



## CORPORATE GOVERNANCE STATEMENT



No.	Director	Training Attended	Date
10.	Fahmy Ismail	1. Implementation of Balanced Scorecard and KPI for FY2020 2. EDGĐ20 Workshop for Plan Owners, Leaders & Sub-Leaders. 3. EY GBS Sharing Session – Materials for reference 4. MIA Webinar Series: Project Management	21.01.2020 05.08.2020 11.09.2020 23.12.2020
11.	Admiral Tan Sri Dato' Seri Panglima (Dr.) Ahmad Kamarulzaman Ahmad Badaruddin (Retired)	1. Crisis Management for Leaders – “COVID-19 as a Novel Event and Risk Management Framework” (Webinar) 2. Crisis Management for Leaders – “Coping with Sudden Changes in Cash Needs and Availability” (Webinar) 3. Crisis Management for Leaders – “Structuring the Organizational Response” (Webinar) 4. Stakeholder Engagement – “Stakeholder Primacy: Increased Emphasis on ESG” (Webinar) 5. Digitalisation – “Review Competitive Strategies using AI: A Board's Perspective” (Webinar) 6. Crisis Management – “Readiness, Response and Recovery” (Webinar) 7. Authentic Leadership – “Leadership Today: Authentic, Open & Transparent” (Webinar) 8. “Cybersecurity Considerations Amid A Global Pandemic” (Webinar) 9. Financial Markets and the Fed in the COVID-19 Pandemic (Webinar) 10. Macroeconomic Policy Responses to the COVID-19 Pandemic (Webinar) 11. “Rising Corporate Risks of Weaponised Fake News” (Webinar)	24.03.2020 31.03.2020 02.04.2020 06.04.2020 07.04.2020 08.04.2020 09.04.2020 13.04.2020 14.04.2020 17.04.2020 22.04.2020

### CORPORATE GOVERNANCE PRIORITIES (2021 AND BEYOND)

The Board is committed and will continue to strengthen its application of the corporate governance practices and procedures in pursuit of safeguarding the interest of all our shareholders and stakeholders.

The Corporate Governance Overview Statement has been approved by the Board of Directors at its Meeting on 28 May 2021.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

## BOARD'S RESPONSIBILITY

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 the tone and direction for effective risk management and internal controls by regularly reviewing their adequacy and integrity. The review covers financial, operational and compliance controls of the Group. In view of the limitations that are inherent in any internal control system, our own system is designed to manage rather than eliminate the risk of failure to achieve our corporate objectives. Accordingly, it can only provide a reasonable degree of control and not an absolute assurance against any misstatement or loss.

The internal controls of our joint venture companies 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 and through the receipt and review of the management accounts and the enquiries thereafter. Such representation also provided the Board with information for timely and effective decision making. The representatives of those companies reported to the Board on the significant risks of the joint venture companies.

## RISK MANAGEMENT

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## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### INTERNAL CONTROLS



#### Risk Management Framework

The Group's objectives, its organisational structure and the environment in which it operates are continuously evolving. As a result, the risks we face are subject to constant changes. A sound system of risk management and internal controls therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the Group is exposed.

The Group adopts ISO 31000:2009 Risk Management – Principles and Guidelines as a primary foundation and reference for the BHIC Enterprise Risk Management (ERM) framework. The Group aims to attain a common understanding of effective ERM implementation and practices across the Group. Simultaneously, the ERM framework helps the Group to make sound business decisions. The guiding principles, key structural elements of risk management practices and activities of the Group include the following:

1. Demonstrating how risk management is embedded in the Group's organisational systems to ensure it is integrated at all levels. This includes describing 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. Having in place comprehensive, structured, systematic and proactive processes which identify, assess, manage and report on the significant business and functional risks related to achieving the Group's objectives inherent in the business strategy and operations at any point in time;
3. Optimising risk management by balancing the cost of risks with the cost of controls for all aspects of the Group's potential risk areas to ensure that organisational objectives are met; and
4. Improving the Group's governance through resilient leadership, responsible and ethical decision making, transparent management and accountability and performance improvement.

### KEY RISK AND MITIGATION MEASURES

The primary risks which the Group faces in its business include among others increased competition, changes in the industry landscape and operational and financial risks. Below are some of the risk areas faced and mitigation actions taken in 2020:

Key Risk and Impacts	Mitigation Measures
Financial risks due to the delay of ongoing projects leading to cashflow constraints. This affects our ability to meet our financial obligations.	Monitoring our cashflow on a weekly basis by centralising fund management at the Group level.
Litigation actions by vendors (winding-up petition).	Engaging external legal firms to represent the Group.
Reduction in Government spending affecting our revenue due to high reliance on Government defence and security projects.	Expanded our products and services offering to the commercial segment and aerospace sector.
LDs imposed by the Government for LCS Programme and submarine maintenance project impacting our cashflow.	Negotiating with and appealing to the Government on the LDs imposed.
COVID-19 pandemic impacting business operations.	Compliance to National Security Council standard operating procedures and guidelines. Leveraging on our ICT infrastructure for employees to work and communicate remotely away from office.

## ENTERPRISE RISK MANAGEMENT

As part of risk management best practices to instil a proactive risk management culture, GRMD actively engaged with the Business Units and Departments within the Group in conducting risk register validation exercises throughout the financial year. The objective of these exercises is to evaluate and validate the adequacy of risk assessment, to highlight potential or emerging risks and to review the status of action plans undertaken by the Business Units and Departments.



### Project Risk Management

Project Risk Management is one of the key elements of a project's success. Successful projects are measured based on timely delivery, meeting customers' expectation and keeping within the budgeted cost. GRMD has put in place guidelines to assist Business Units in initiating and implementing project risk assessment when undertaking new projects.

During the financial year, GRMD facilitated a series of Project Risk Management Workshops with the Littoral Combat Ship (LCS) team and conducted a risk assessment session with the Littoral Mission Ship (LMS) team on the redeployment of the LMS and RMN project team to China. These workshops

were intended to provide the team with the knowledge to find ways to reduce cost and to identify and manage risk issues related to project management and ship construction.

GRMD assisted project teams involved in potential and new projects to identify issues and assess risks that may have negative impacts on those projects in order to minimise the impacts on the Group. It also provided advisory and carried out periodical review on project-related risks, in addition to participating in the development of proposals for new businesses.

## BUSINESS CONTINUITY MANAGEMENT

The Group is mindful of the need to be well prepared for any eventualities. We took a step forward by establishing a Business Continuity Management (BCM) Programme by adopting ISO 22301:2012 – Societal Security – Business Continuity Management Systems – Requirements.



### Business Continuity Plan (BCP) and ICT Disaster Recovery Plan (ICT-DR)

Business Continuity Plan (BCP) is a process which helps companies to recover from major incidents such as force majeure, fire or cyberattacks with minimal disruption to business operation.

Amid the COVID-19 pandemic, GRMD facilitated Departments in BHIC located in Menara Boustead, Kuala Lumpur to develop BCP and conducted several workshops with

Business Continuity Management champions from every Department. This led to the establishment of BCP to ensure business continuity during disruption period. Credit to our ICT infrastructure and ICT Disaster Recovery Plan, we were able to carry out critical business functions and have access to document from the office systems and folders and conduct online meetings during the Movement Control Order.





## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### HEALTH, SAFETY & ENVIRONMENT



#### HSE Commitment and Implementation

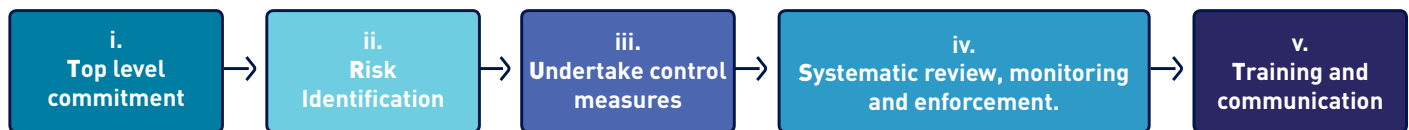
In line with Group Health, Safety and Environment (HSE) Policy, we are committed to uphold the highest standards by complying with Occupational Safety and Health Act 1994, Factories and Machinery Act 1967 and Environmental Quality Act 1974.

In 2020, we are pleased to report that the Group did not have any fatality or major HSE incidents.

### SECTION 17A MALAYSIA ANTI CORRUPTION COMMISSION (MACC) – CORPORATE LIABILITY

Corporate Liability Provision under the Section 17A MACC Act 2009 is enforced on 1 June 2020.

An important area of focus for the Group during the year was to ensure our preparedness in meeting the requirements of Section 17A of the MACC Act 2009. In essence, the Guidelines outline the “**T.R.U.S.T**” principles for the establishing of “adequate procedures”, i.e.:



During the financial year, the Group developed a Policy Statement on Anti-Bribery and Anti-Corruption. The Group takes zero tolerance to bribery and corruption. All employees are responsible to raise concerns on any issue or suspicion of malpractice. We have in place Policies and Guidelines to address matters on ethics and business transactions including giving and receiving of gifts. The objectives of this policy are to prevent the elements of conflict of interest for parties involved in business dealings as such practice might be construed as bribery and affect the Group’s credibility.

### RISK GOVERNANCE AND REPORTING

As part of our effort to enhance risk and corporate governance within the Group, Business Units deliberated their risk areas and status of audit findings during their respective Board meetings. The objective is to enhance their Board’s oversight on risk profiles and the directions on the key risks and audit areas.

Roles of the Risk Committee are :

- Review and recommend the overall risk management strategies, framework and policies for the Board’s approval;
- Monitor and review the Risk Management Committee’s periodic report on key risk profiles and risk management activities;
- Obtain assurance from the Senior Management of the Group and its subsidiaries that the risk management and internal control system is operating adequately and effectively;
- Review the adequacy of the scope, functions, competency and resources of GRM and ensure that necessary authority is obtained
- for GRM to carry out their responsibilities; and

- Review the disclosure in the Statement on Risk Management and Internal Control in the Group's Annual Report.
- To ensure the Group adopts sound and effective Business Continuity Management (BCM) framework to safeguard the Group's interests; and to ensure that the BCM framework is periodically reviewed and updated to reflect changes in the operating environment
- Review all major investment and project business cases in accordance with established thresholds in the approved Limits of Authority

The Group also puts strong emphasis on audit matters and compliance as part of comprehensive risk management. Audit issues were reported and presented to the BHIC Management and the AC. Audit follow-up and resolution exercises on significant matters were conducted throughout 2020 and reported to the AC.



### Control Structure

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

Whilst the Board maintains control and direction over certain strategic, financial, organisational and compliance matters, it has delegated the implementation of internal controls system to the Management led by the Chief Executive Officer (CEO) of BHIC.

There are several management committees to assess and strengthen controls within the Group. These committees help the CEO and the senior management of the companies to periodically review the performance of Business Units and to identify and manage their risks effectively. In addition, they also help the Management review the adequacy and integrity of internal controls and Management Information Systems. The committees also help the Management to develop and review regularly review business strategies and operating procedures and policies.

The Management team is responsible for:

- the conduct and performance of Business Units;
- the identification and evaluation of significant risks applicable to the respective areas of Business Units together with the design and operation of suitable internal controls;
- ensuring that an effective system of internal controls is in place;
- reviewing internal audit reports and following up on their findings;
- meeting all internal and external reporting deadlines and ensuring compliance with policies, procedures and regulatory requirements;

- submission of management reports, on a monthly basis, to the CEO;
- submission of annual operating plans, and review of half-year financial forecasts to be approved at the operating and Board level; and
- the evaluation of major procurement contracts at the Management Tender Committee in a transparent manner.

The monitoring and reviewing structure currently in place ensure timely and relevant communication between the Management and the Board. These promote a dynamic and effective controls structure within the Group. The company also conducted annual townhall meetings and regular site visit to communicate with employees at all levels. This helps the Management to obtain first-hand information on significant operational issues and to manage the associated risks, in addition to observing the effectiveness of current controls.

The Group has taken a group-wide initiative to update and streamline the SOP for all its companies. This effort, driven by BHIC Strategic Planning and Transformation Department, aims to ensure that clear and uniform policies and procedures are adopted throughout the Group.

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

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



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



### Organisational Structure

In ensuring proper segregation of duties between Management and the Board of Directors, the position of CEO was established as a Head of BHIC Group without any Board executive position.

The company adopts an organisational structure with clearly defined lines of responsibility and authority limits at various management levels. The structure also facilitates a documented and auditable trail of accountability, supported by several departments namely, Company Secretarial, Group Administration, Group Legal, Group Human Capital Management, Group Supply Chain Management, Group Business Development and Commercial, Group Finance, Group Risk Management, Group Corporate Communications, Group Information System and Strategic Planning and Transformation. Qualified and experienced management personnel have been appointed to oversee the delivery of the Group's objectives.



### Whistle Blowing

The Group has in place a whistleblowing policy which provides employees with well-defined channels through which they may raise concerns about possible improprieties within the Group in confidence.

Whistleblowing report can be submitted via email at [whistleblowing@bhic.com.my](mailto:whistleblowing@bhic.com.my) or hardcopy to be addressed to:

Audit Committee Chairman  
17th Floor, Menara Boustead,  
69, Jalan Raja Chulan,  
50200 Kuala Lumpur

In 2020, there were no whistleblowing reports received through our whistleblowing email.

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

The processes adopted in monitoring and reviewing of the system are based on the following framework:



### Division, Business Units and Departments

Each Business Unit and Departments is responsible for managing risks associated with its respective business and functions. All risks identified are assessed, analysed, treated and monitored according to the Group's risk appetite.



### Group Risk Management Department

Provides risk methodologies, framework, tools and consultancy to the Business Units and Departments areas pertaining to risk mitigation and its monitoring and controls. It reports the Group's risk profile to BHIC Management Committee and the Board of AC.



### Internal Audit

Conducts an independent quality assurance of risk management and internal controls activities. It also submits quarterly reports on internal control reviews to the AC. The Chairman of the AC reports to BHIC Board its finding and deliberation.



## INTERNAL AUDIT FUNCTION

The Internal Audit function is carried out by Group Internal Audit (GIA) from Boustead Holdings Berhad. GIA supports the BHIC AC and the Board in evaluating and improving the Group's risk management, internal control and governance processes. The Group spent approximately RM200,646 (inclusive of Service Tax) on the internal audit services rendered by GIA.

## CONCLUSION

The Board is of the view that the current system of Risk Management and 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 had been or are being addressed. There were no major internal controls weaknesses that require disclosure in this Annual Report.

The effectiveness of the Group's system of Risk Management and Internal Controls will continue to be reviewed and updated by the Board through the AC to keep abreast with changes in the operating environment.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors performed limited assurance procedures on this Statement on Risk Management and Internal Controls pursuant to the scope set out in the Audit and Assurance Practice Guide 3 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the year ended 31 December 2020.

They also reported to the Board that nothing came to their attention that caused them to believe the statement intended to be included in the Annual Report was not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor was the Statement factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Controls covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's Risk Management and Internal Controls system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for and directed solely to the BHIC Board of Directors in compliance with the Listing Requirements of Bursa Malaysia Securities and not for other purposes or parties. The external auditors do not assume responsibility to any person other than the BHIC Board of Directors in respect of any aspect of this report.

**This statement is made in respect of the financial year ended 31 December 2020 and in accordance with a resolution of the Board of Directors dated 28 May 2021.**



## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors affirm 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. We affirmed 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 2020.

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

- adopted applicable approved 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.

## RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 21 July 2020, 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 2020 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 Shipyards Sdn Bhd	Fahmy bin Ismail	Provision of shipbuilding, ship repair works and provision of related services by Boustead Penang Shipyards Sdn Bhd	80,291
	Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)	Provision of ship repair works and related services by BHIC Defence Techservices Sdn Bhd	5,748
	Dato' Maznah Abdul Jalil	Provision of ship repair works and related services by BHIC Allied Defence Technology Sdn Bhd	541
	Izaddeen Daud	Sale of equipment and machinery for ship related activities by Dominion Defence and Industries Sdn Bhd	25
	Boustead Holdings Berhad	Purchase of materials/consumables in relation to ship repair works and related services by BHIC Defence Techservices Sdn Bhd	(9)
	Lembaga Tabung Angkatan Tentera	Rental of premises by Boustead Penang Shipyards Sdn Bhd	(1,116)
		Provision of training services by BHIC Marine Technology Academy Sdn Bhd	60
		Rental of premises by BHIC Defence Techservices Sdn Bhd	(240)
		Rental of premises by BHIC Marine Technology Academy Sdn Bhd	(99)
		Rental of premises by BHIC Allied Defence Technology Sdn Bhd	(70)
Boustead Holdings Berhad	Izaddeen Daud	Provision of training, management and related services to Boustead Heavy Industries Corporation Bhd	(559)
	Lembaga Tabung Angkatan Tentera		
Boustead Travel Services Sdn Bhd	Boustead Holdings Berhad	Provision of transport and travel related services to Boustead Penang Shipyards Sdn Bhd	(4)
	Lembaga Tabung Angkatan Tentera	Provision of transport and travel related services to BHIC Defence Techservices Sdn Bhd	(107)
		Provision of transport and travel related services to BHIC Navaltech Sdn Bhd	(2)
		Provision of transport and travel related services to BHIC Submarine Engineering Services Sdn Bhd	(54)
Boustead Realty Sdn Bhd	Boustead Holdings Berhad	Rental of premises by Boustead Penang Shipyards Sdn Bhd	(10)
	Lembaga Tabung Angkatan Tentera	Rental of premises by BHIC Submarine Engineering Services Sdn Bhd	(123)



# FINANCIAL STATEMENTS

A hand holding a tablet displaying financial charts and data, with a line graph and bar chart visible in the background.

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## 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 2020.

### 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 16 to the financial statements.

### RESULTS

	Group RM'000	Company RM'000
Loss net of tax	(50,579)	(38,414)

There were no material transfers to or from reserves or provisions during the financial year.

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

### DIRECTORS

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

Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)\*

Rozi Ahmad Baharudin\*

Tan Sri Dato' Wira Aziah Ali\*

Dato' Maznah Binti Abdul Jalil\*

(Dr.) Salihin Abang\*

Hajah Saadatul Nafisah Bashir Ahmad\*

Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)\*

Izaddeen Daud

Datuk Norliza Abdul Rahim

Dato' Sri Mohammed Shazalli Ramly

Fahmy Ismail

(Appointed on 11 June 2020)

(Appointed on 1 September 2020)

(Appointed on 4 March 2021)

(Resigned on 11 June 2020 and

Appointed on 4 March 2021)

Admiral Tan Sri Dato' Seri Panglima (Dr.) Ahmad Kamarulzaman

Bin Ahmad Badaruddin (Retired)

(Retired on 21 July 2020)

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



## DIRECTORS' REPORT

### DIRECTORS (CONT'D.)

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 (cont'd.):

Vice Admiral Dato' Seri Panglima Mohammed Noordin Ali (Retired)

Major General Dato' Che Yahaya Idris (Retired)

Major General Dato' Ahmad Rodi Zakaria (Retired)

Dato' Mohammad Nik

Dato' Tuan Mustapha Hj Tuan Hussin

Commander Dato' Abdul Rahman Husain (Retired)

Annuar Faisal Yusuf

Azhar Abdullah

Deva Dass A/L Baboo

Ir. Hairutdin Ayob

Ir. Ee Teck Chee

Jeffry Faisal

Mohamad Mustafa

Puti Mazura Mashudi

Sarimah Mat Isa

Syahida Abdul Kadir

Zainal Abidin Ahmad

Mohd Fakhrul Arifin Adinan

Sharifuddin Md. Zaini Al-Manaf

Hazem Eslah

Ir. Azhar Jumaat

Amli Saprin

Arifin Rahmat

Fakril Zamani Mahmud

Rozman Shariff

Ir. Mahamud Sayuti Abd Halim

Ir. Sukhdev Singh A/L Khazan Singh

Ir. Azman Ahmad

Mohd Sidek Zambri

Major General Dato' Mohd Sulong (Retired)

Mohamed Ithnin

A. Halim Hairiji

Lilyrohayu Ab. Hamid @ Kassim

(Appointed on 15 June 2020)

(Appointed on 31 July 2020)

(Resigned on 28 February 2020)

(Resigned on 6 January 2021)

(Resigned on 31 July 2020)

(Resigned on 28 February 2020)

(Resigned on 3 November 2020)

(Resigned on 2 September 2020)

(Resigned on 23 March 2020)

(Resigned on 31 March 2020)

(Resigned on 31 July 2020)

(Resigned on 13 February 2020)

(Resigned on 28 February 2020)

(Resigned on 20 November 2020)

(Resigned on 12 October 2020)



## 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 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

The directors' benefit are as follow:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Executive directors' remuneration:</b>				
Fee	-	118	-	85
Salary	-	89	-	89
Allowances	-	8	-	6
Defined contribution plan	-	5	-	5
	-	220	-	185
<b>Non-executive directors' remuneration:</b>				
Fees	1,487	677	1,220	575
Allowances	448	136	415	131
	1,935	813	1,635	706
<b>Total directors' remuneration</b>	<b>1,935</b>	<b>1,033</b>	<b>1,635</b>	<b>891</b>

### 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 2020 was RM65,000. 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:

The Company	Number of ordinary shares			
	1.1.2020	Bought	Sold	31.12.2020
<b>Direct interest:</b>				
Admiral Tan Sri Dato' Seri Ramlan Bin Mohamed Ali (Retired)	2,000	-	-	2,000
Admiral Tan Sri Dato' Seri Panglima (Dr.) Ahmad Kamarulzaman Bin Ahmad Badaruddin (Retired)	55,000	-	(55,000)	-
Rozi Binti Baharudin	5,000	-	-	5,000
<b>Immediate holding company</b>				
<b>Boustead Holdings Berhad</b>				
<b>Direct interest:</b>				
Admiral Tan Sri Dato' Seri Panglima (Dr.) Ahmad Kamarulzaman Bin Ahmad Badaruddin (Retired)	15,000	-	(15,000)	-
<b>Related corporations</b>				
<b>Boustead Langkawi Shipyard Sdn Bhd</b>				
Admiral Tan Sri Dato' Seri Ramlan Bin Mohamed Ali (Retired)	1	-	-	1
<b>Pharmaniaga Berhad</b>				
<b>Direct interest:</b>				
Fahmy Bin Ismail	100	-	-	100
<b>Boustead Plantations Berhad</b>				
<b>Direct interest:</b>				
Admiral Tan Sri Dato' Seri Panglima (Dr.) Ahmad Kamarulzaman Bin Ahmad Badaruddin (Retired)	28,000	-	-	28,000
Fahmy Bin Ismail	1,000	-	-	1,000
<b>Affin Bank Berhad</b>				
<b>Direct interest:</b>				
Admiral Tan Sri Dato' Seri Panglima (Dr.) Ahmad Kamarulzaman Bin Ahmad Badaruddin (Retired)	2,000	-	(2,000)	-

### HOLDING COMPANIES

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.





## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any other circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year, other than as disclosed in Note 34 to the financial statements.
- (f) Saved as disclosed in Note 2.1 to the financial statements, 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 when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## DIRECTORS' REPORT

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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

### AUDITORS

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

Auditors' remuneration is as below.

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration paid to Ernst & Young PLT				
- Statutory audit	412	417	157	149
- Others	77	90	77	48
	489	507	234	197

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, 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 PLT during or since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 May 2021.

**Admiral Tan Sri Dato' Seri Ramlan  
Bin Mohamed Ali (Retired)**

**(Dr.) Salihin Bin Abang**



## STATEMENT BY DIRECTORS

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

We, Admiral Tan Sri Dato' Seri Ramlan Bin Mohamed Ali (Retired) and (Dr.) Salihin Bin Abang, 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 108 to 190 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 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 31 May 2021.

**Admiral Tan Sri Dato' Seri Ramlan  
Bin Mohamed Ali (Retired)**

**(Dr.) Salihin Bin Abang**

## STATUTORY DECLARATION

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

I, Mohd Fakhru Arifin Bin Adinan (MIA No: 31477), 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 108 to 190 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 Mohd Fakhru Arifin Bin Adinan  
at Kuala Lumpur in the Federal Territory on 31 May 2021.

**Mohd Fakhru Arifin Bin Adinan**  
(MIA 31477)

Before me,

**Hajjah Jamilah Ismail**  
(No W626)  
1-1-2021 to 5-10-2021  
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 statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit and 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 108 to 190.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2020, 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 Company in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysia Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities 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 for the current financial year. These matters were addressed in the context of our audit of the financial statements 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.

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 subsidiaries and amount due from an associate:**

#### **(a) Impairment assessment of investment in subsidiaries**

MFRS 136: Impairment of Assets ("MFRS 136") requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

MFRS 136 defines recoverable amount as the higher of an asset's or a cash-generating unit's ("CGU") 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.



## INDEPENDENT AUDITORS' REPORT

to the members of Boustead Heavy Industries Corporation Berhad  
(Incorporated in Malaysia)

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

#### *Key audit matters (cont'd.)*

#### **Impairment assessment of investment in subsidiaries and amount due from an associate: (cont'd.)**

##### **(a) Impairment assessment of investment in subsidiaries (cont'd.)**

As at 31 December 2020, the Company's carrying amount of the investment in subsidiaries is RM267,500,000 (2019:RM280,000,000) as disclosed in Note 16 to the financial statements. The carrying amount of the investment in subsidiaries is higher than the share of net assets of the said subsidiaries and the continuing losses reported by the subsidiaries are indications that the investment in the subsidiary may be impaired.

Accordingly, the Company has performed impairment assessment by comparing the respective carrying amount of the investments to their recoverable amounts.

The Company recognised an impairment loss of RM12,500,000 arising from the aforementioned impairment assessment on the investment in subsidiaries.

Given the significant judgement and estimates involved in the assessment of the VIU, we have identified the above impairment assessment as important to our audit.

Our procedures in reviewing management's impairment assessment based on value in use are, 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 contract sum value. 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;
- 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; and
- We evaluated the adequacy of the disclosures on the impairment of investment in subsidiaries as disclosed in Notes 3(v) and 16 to the financial statements.

##### **(b) Measurement of Expected Credit Loss ("ECL") for amount due from an associate**

As at 31 December 2020, the net amount due from an associate of the Group amounted to RM272,675,000, representing 65% of total assets.

MFRS 9: Financial Instruments ("MFRS 9") requires entity to measure the ECL for amount due from an associate to assess at the end of each reporting period, which allows for the recognition of loss allowance equal to the lifetime expected credit losses. The Group has performed ECL assessment by assessing the loss given default and the probability of default assigned to the associate.

The aforementioned ECL review gave rise to an expected credit loss on the amount due from an associate of RM29,878,000 for the Group as disclosed in Notes 21 to the financial statements.

Given the significance of the amount due from the associate to the Group, the significant judgement and estimates involved in the assessment of the expected credit loss, we have identified the above ECL assessment as important to our audit.

## INDEPENDENT AUDITORS' REPORT

to the members of Boustead Heavy Industries Corporation Berhad  
(Incorporated in Malaysia)

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

#### *Key audit matters (cont'd.)*

#### **Impairment assessment of investment in subsidiaries and amount due from an associate: (cont'd.)**

##### **(b) Measurement of Expected Credit Loss ("ECL") for amount due from an associate (cont'd.)**

Our procedures in reviewing the expected credit loss are, inter alia, the following:

- We have assessed the key assumptions on which the cash flow projections of the associate are based on, amongst others and where relevant, by comparing them against historical trends, existing contracts, order book, useful lives of the assets and contract sum value. We also evaluated the probability of the associate 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 contracts as further disclosed in Note 35(b);
- We also assessed the timing of the repayment made by the associate by comparing the timing of the repayment to the cash flows availability of the associate; and
- We evaluated the adequacy of the disclosures on the expected credit losses on amount due from an associate as disclosed in Note 21 to the financial statements.

#### **Revenue recognition from contract with customers**

The Group is involved in a number of significant long term contracts which span across multiple accounting periods as disclosed in Note 22 to the financial statements.

The Group determines that its performance obligations are satisfied over time and thus recognises revenue from long term contracts with customers 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.

We identified revenue and cost of sales recognised over time under the input method as matters requiring audit focus as significant management's judgement and estimates is involved in estimating the total construction costs which is a key input in determining the proportion of revenue to be recognised during the year.

In relation to the budgeted revenue, we have, amongst others and where applicable, agreed this to the signed contracts, letter of awards, and approved variation orders. We assessed the estimated deduction on the 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 evaluated the budgeted costs to corresponding supporting evidence including but not limited to suppliers' and subcontractors' contracts as well as budgeted direct labour costs. We have assessed the actual costs incurred by examining evidences such as subcontractors' claims and suppliers' invoices. We recomputed progress towards the satisfaction of performance obligation using the input method by comparing actual costs incurred against total budgeted cost. We also recomputed the revenue recognised recognised by the group using the input method based on applying the proportion of cost incurred to date over budgeted cost to the budgeted revenue. We also assess whether appropriate provisions have been made for onerous contracts where budgeted cost is expected to exceed budgeted revenue.



## INDEPENDENT AUDITORS' REPORT

to the members of Boustead Heavy Industries Corporation Berhad  
(Incorporated in Malaysia)

### 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 the information included in the annual report 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 statement*

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.

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.



## INDEPENDENT AUDITORS' REPORT

to the members of Boustead Heavy Industries Corporation Berhad  
(Incorporated in Malaysia)

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

#### *Auditors' responsibilities for the audit of the financial statements (cont'd)*

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 (cont'd):

- (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.

### 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 PLT**

202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
31 May 2021

#### **AHMAD ZAHIRUDIN BIN ABDUL RAHIM**

No.2607/12/2022 J  
Chartered Accountant



# STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	4	145,200	168,920	2,421	2,455
Operating costs	5	(153,317)	(159,286)	(4,533)	(3,195)
Impairment	6	-	(32,828)	(12,500)	-
Reversal of/(allowance for) expected credit losses	7	5,353	(25,116)	(11,183)	(6)
<b>Results from operations</b>		<b>(2,764)</b>	<b>(48,310)</b>	<b>(25,795)</b>	<b>(746)</b>
Interest income		324	263	-	-
Finance costs	10	(16,575)	(16,947)	(12,619)	(13,438)
Share of results of associates	17	-	(57,697)	-	-
Share of results of joint ventures	18	(13,758)	9,177	-	-
<b>Loss before taxation</b>		<b>(32,773)</b>	<b>(113,514)</b>	<b>(38,414)</b>	<b>(14,184)</b>
Income tax expense	11	(17,806)	(3,122)	-	-
<b>Loss net of tax</b>		<b>(50,579)</b>	<b>(116,636)</b>	<b>(38,414)</b>	<b>(14,184)</b>
<b>Basic/diluted loss per share attributable to shareholders for the Company (sen)</b>	12	<b>(20.36)</b>	<b>(46.94)</b>		

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

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loss for the year, representing total comprehensive loss for the year, net of tax	(50,579)	(116,636)	(38,414)	(14,184)

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



# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	7,271	16,246	271	293
Investment property	14	11,503	12,355	-	-
Intangible asset	15	-	-	-	-
Right-of-use assets	29	34,075	36,207	7,237	7,315
Investments in subsidiaries	16	-	-	267,500	280,000
Investments in associates	17	-	-	-	-
Investments in joint ventures	18	82,496	99,931	-	-
Deferred tax assets	27	-	15,388	-	-
		135,345	180,127	275,008	287,608
<b>Current assets</b>					
Inventories	20	3,160	6,209	-	-
Trade and other receivables	21	269,450	249,661	65,381	97,801
Contract assets	22	3,630	1,725	-	-
Tax recoverable		2,530	2,941	-	-
Cash and bank balances	23	3,498	28,307	143	1,003
Non-current assets held for sale	19	3,885	-	-	-
		286,153	288,843	65,524	98,804
<b>Total assets</b>		<b>421,498</b>	<b>468,970</b>	<b>340,532</b>	<b>386,412</b>

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



## STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	24	<b>248,458</b>	248,458	<b>248,458</b>	248,458
Accumulated losses		<b>(183,058)</b>	(132,479)	<b>(155,348)</b>	(116,934)
Total shareholders' funds		<b>65,400</b>	115,979	<b>93,110</b>	131,524
Non-controlling interests		-	-	-	-
<b>Total equity</b>		<b>65,400</b>	115,979	<b>93,110</b>	131,524
<b>Non-current liabilities</b>					
Loans and borrowings	26	<b>54,819</b>	71,566	<b>52,373</b>	68,000
Deferred tax liabilities	27	<b>1</b>	140	-	-
Lease liabilities	29	<b>7,209</b>	7,783	-	-
		<b>62,029</b>	79,489	<b>52,373</b>	68,000
<b>Current liabilities</b>					
Contract liabilities	22	<b>18</b>	1,514	-	-
Provisions	25	<b>12,654</b>	843	-	660
Loans and borrowings	26	<b>236,247</b>	229,620	<b>184,627</b>	177,000
Trade and other payables	28	<b>44,324</b>	40,503	<b>10,422</b>	9,228
Tax payable		<b>226</b>	213	-	-
Lease liabilities	29	<b>600</b>	809	-	-
		<b>294,069</b>	273,502	<b>195,049</b>	186,888
<b>Total liabilities</b>		<b>356,098</b>	352,991	<b>247,422</b>	254,888
<b>Total equity and liabilities</b>		<b>421,498</b>	468,970	<b>340,532</b>	386,412

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



# STATEMENTS OF CHANGES IN EQUITY

as at 31 December 2020

Group	← Attributable to equity holders of the Company →		
	Share capital RM'000	Accumulated loss RM'000	Total RM'000
<b>At 1 January 2019</b>	248,458	(15,843)	232,615
Total comprehensive loss for the year	-	(116,636)	(116,636)
<b>At 31 December 2019</b>	248,458	(132,479)	115,979
<b>At 1 January 2020</b>	<b>248,458</b>	<b>(132,479)</b>	<b>115,979</b>
Total comprehensive loss for the year	-	<b>(50,579)</b>	<b>(50,579)</b>
<b>At 31 December 2020</b>	<b>248,458</b>	<b>(183,058)</b>	<b>65,400</b>
<b>Company</b>			
<b>At 1 January 2019</b>	248,458	(102,750)	145,708
Total comprehensive loss for the year	-	(14,184)	(14,184)
<b>At 31 December 2019</b>	248,458	(116,934)	131,524
<b>At 1 January 2020</b>	<b>248,458</b>	<b>(116,934)</b>	<b>131,524</b>
Total comprehensive loss for the year	-	<b>(38,414)</b>	<b>(38,414)</b>
<b>At 31 December 2020</b>	<b>248,458</b>	<b>(155,348)</b>	<b>93,110</b>

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

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>					
Cash receipts from customers		106,564	148,686	-	-
Cash paid to suppliers and employees		(107,378)	(163,273)	(3,807)	(450)
Receipts with/(payment to) related companies		1,918	650	23,394	(17,647)
Net cash generated from/(used in) operations		1,104	(13,937)	19,587	(18,097)
Interest paid		(16,632)	(16,133)	(12,464)	(12,810)
Net income taxes (paid)/refunds		(2,133)	10,342	-	-
Net cash (used in)/generated from operating activities		(17,661)	(19,728)	7,123	(30,907)
<b>Cash flows from investing activities</b>					
Interest received		265	213	31	31
Proceeds from disposal of property, plant and equipment		2	111	-	-
Purchase of property, plant and equipment for cash		(191)	(345)	(14)	(11)
Dividend received from joint ventures		3,677	2,626	-	-
Net cash generated from investing activities		3,753	2,605	17	20
<b>Cash flows from financing activities</b>					
Lease payment		(783)	(791)	-	-
Repayment of borrowings		(10,120)	(3,120)	(8,000)	-
Proceeds from drawdown of borrowings		-	31,500	-	31,500
Net cash (used in)/generated from financing activities		(10,903)	27,589	(8,000)	31,500

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



## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(24,811)</b>	10,466	<b>(860)</b>	613
Effect of foreign exchange rate changes		2	(49)	-	-
Cash and cash equivalents at beginning of year		<b>28,307</b>	17,890	<b>1,003</b>	390
<b>Cash and cash equivalents at end of year</b>		<b>3,498</b>	28,307	<b>143</b>	1,003
<b>Cash and cash equivalents at end of year comprise:</b>					
Deposits with licensed banks	23	<b>1,200</b>	12,932	<b>100</b>	834
Cash and bank balances	23	<b>2,298</b>	15,375	<b>43</b>	169
		<b>3,498</b>	28,307	<b>143</b>	1,003

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 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 16.

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.

As at 31 December 2020, the Group and the Company is in a net current liabilities position of RM7,916,000 and RM129,525,000 respectively. Included in the current assets of the Group is the amount due from associate of RM242,797,000. Due to the delay in delivering the Littoral Combat Ship ("LCS") by the associate, the Group expects to be paid in full for the amount due from associate but later than contractually due as further disclosed in Note 3(iv) and Note 35(b). The Directors continue to consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements as its immediate holding company, Boustead Holdings Berhad has agreed to provide financial support to enable the Group to meet their liabilities as and when they fall due.

### 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 2020, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods 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)
- Amendments to MFRS 9 (Financial Instruments), MFRS 139 (Financial Instruments: Recognition and Measurement) and MFRS 7 (Financial Instruments: Disclosures) (Interest Rate Benchmark Reform)

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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 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 June 2020**

- Amendments to MFRS 16: COVID-19-related rent concessions

##### **Effective for annual period beginning on or after 1 January 2021**

- Amendments to MFRS 9 (Financial Instruments), MFRS 139 (Financial Instruments: Recognition and Measurement), MFRS 7 (Financial Instruments: Disclosures), MFRS 4 (Insurance Contracts) and MFRS 16 (Leases) : Interest Rate Benchmark Reform - Phase 2

##### **Effective for annual period beginning on or after 1 January 2022**

- Amendments to MFRS 1 (First-time Adoption of Malaysian Financial Reporting Standards), MFRS 9 (Financial Instruments) and MFRS 141 (Agriculture): Annual Improvements to MFRS Standards 2018 - 2020
- Amendments to MFRS 3 (Business Combinations): Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment : Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts - Cost of Fulfilling a Contract
- Amendments to MFRS 101 (Presentation of Financial Statements) : Classification of Liabilities as Current or Non-current
- MFRS 17 (Insurance Contracts)
- Amendments to 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 a material impact on the financial statements in the period of initial application.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 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.

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 over 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.4 Basis of consolidation (cont'd.)

##### Business combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in 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.

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 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.6 Subsidiaries

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

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

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

#### 2.7 Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. 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 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, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is adjusted to recognise 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 or 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

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

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 determine 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 recognise 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.

#### 2.8 Fair value measurement

The fair values of financial instruments at amortised cost are disclosed in Note 14 and Note 30.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.8 Fair value measurement (cont'd.)

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

#### 2.9 Currency conversion

The Group's consolidated financial statements are presented in RM, which is also the functional currency of the Company. All transactions are recorded in RM. 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 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 at the following annual rates:

Buildings, jetties, slipways and roads	3% - 10%
Yard development	3% - 20%
Plant and machinery	5% - 20%
Equipment, fittings, renovation, motor vehicles and others	2% - 50%

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

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



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.12 Intangible assets

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 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.

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"); or
- 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 for both debt and equity instruments.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.14 Financial assets (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

31 December 2020

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

#### 2.15 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. The Group and the Company apply individual assessment on each individual receivables and recognise a loss allowance based on the individual receivables' exposures to credit losses, adjusted for forward-looking factors specific for the debtor and the economic.

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### 2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks 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.

#### 2.17 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.18 Provisions

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

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

#### 2.19 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

31 December 2020

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

#### 2.20 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.

#### 2.21 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.

#### 2.22 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Group as lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

##### **(a) Right-of-use assets ("ROU assets")**

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Group elected to apply the practical expedient not to separate out non-lease components from lease components and instead account for the lease and non-lease component as a single component.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.22 Leases (cont'd.)

##### (a) Right-of-use assets ("ROU assets") (cont'd.)

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets at the following annual rates:

Land and buildings	1% - 5%
Plant and machinery	5%
Motor vehicles	20%

The ROU assets are also subject to impairment. Refer to Note 2.13 for accounting policy on impairment of non-financial assets.

##### (b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or a change in the lease term.

##### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premises, machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### *Group as lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.23 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 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 (e.g., warranties, non-cash consideration and consideration payable to the customer, if any). Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at the point in time or over time.

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.

The Group also 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.

The Group's revenue from contracts with customers are further described below:

#### **(a) Heavy engineering, repair and maintenance and rendering of services**

Revenue from heavy engineering construction contracts, repair and maintenance and rendering of services comprise multiple deliverables which represent 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. It is therefore recognised as a single performance obligation.

For heavy engineering construction contract, the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. While for repair and maintenance and the rendering of services, the customer simultaneously receives and consumes the benefits provided by the Group. As such, the Group recognises revenue over time, using an input method, which is based on cost incurred to-date relative to the total expected cost to the satisfaction of the performance obligation. For certain arrangements, revenue is recognised at a point in time when the customer obtains control of the asset or services.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.23 Revenue (cont'd.)

The Group's revenue from contracts with customers are further described below: (cont'd)

##### (b) 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).

##### (c) Management fees

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

#### Contract balances

##### (a) 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.

##### (b) 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).

##### (c) 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.

#### Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:

- (a) Dividend income — recognised when the right to receive payment is established.
- (b) Rental income — recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.
- (c) Interest income — recognised on accrual basis using the effective interest method.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.24 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

31 December 2020

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

#### 2.25 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 Chief Executive Officer ("CEO") 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 32.

#### 2.26 Share capital and share issuance expenses

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

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

#### 2.27 Non-current assets classified as held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

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

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

Further details on non-current assets classified as held for sale are disclosed in Note 19.

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

All other assets are classified as non-current.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### 2.28 Current vs non-current classification (cont'd.)

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.

### 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 estimate 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) Application of input method for revenue recognition over time

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. Further, significant judgement is also required in determining contract modification with approved change in the scope of work, but with contract price that has yet to be fixed. In making these judgements, the Group evaluates by relying on past experience, correspondence with customer and the work of internal specialists. Information on the Group's long term and construction contracts assets and liabilities is presented in Note 22.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### (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 unrecognised temporary differences.

The total carrying value of the Group's recognised tax losses, tax credits and capital allowances and unrecognised tax losses, tax credits and capital allowances are as disclosed in Note 27.

#### (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 individual historical credit loss experience with forward-looking information. If forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Where there is a significant increase in credit risk, the Group determines the lifetime expected credit losses ("ECL") 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 in 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 assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. In assessing the ECLs of the receivables, especially on the amount due from associates (trade), the Group also considers the ECLs arising from timing of payments from expected future cash flows as a credit loss arises even if the Group expects to be paid in full but later than contractually due. Further details as disclosed in Note 35(b).

The carrying amounts of the receivables and contract assets as well as the movements in their respective ECL allowances are disclosed in Note 21 and Note 22 respectively.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### (v) Impairment of non-financial assets

The Group and the Company review the carrying amounts of the above non-financial assets at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the Group and the Company shall estimate the recoverable amount of the cashgenerating unit ("CGU") or groups of CGU. The recoverable amount is measured at the higher of fair valueless costs of disposal (FVLCD) or value in use ("VIU").

#### Investment in subsidiaries and investment in an associate

The carrying amount of the Company's investments in subsidiaries and the Group's investment in an associate as at 31 December 2020 are RM267,500,000 and RM Nil respectively (2019: RM280,000,000 and RM Nil).

For investment in an associate, the recoverable amount is measured at VIU which is higher than its FVLCD. Whereas, for investment in subsidiaries, it will not be possible to measure FVLCD because there is no basis for making a reliable estimate of the price at which an asset can be sold in an orderly transaction between market participants under current market conditions at the measurement date. Hence, the Company use the subsidiaries' VIU as its recoverable amount.

Determining the VIU of CGU or groups of CGU require the estimation of future cash flows expected to be derived from continuing use of the assets and from the ultimate disposal of such assets. In estimating the VIU, the estimated future cash flows 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. The future cash flows do not include restructuring activities that the Group or Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

Significant increases/(decreases) in discount rate in isolation would result in a significantly lower/(higher) VIU.

In the current financial year, the Company has recognised impairment losses of RM12,500,000 (2019: RM Nil) on investments in subsidiaries. The Group has recognised impairment losses of RM Nil (2019: RM32,828,000) on investment in an associate.

#### Other non-financial assets

Where assessment of the recoverable amount of CGU or groups of CGU is determined on the basis of FVLCD, the Group and the Company had amongst others, based the FVLCD on valuations by independent professional valuers which were derived from comparisons with recent transactions involving other similar assets and where applicable, the age, size and title tenure. There is no impairment required base on the FVLCD.

The estimation of the recoverable amounts involves significant judgement and estimations. While the Group and the Company believe that the assumptions are appropriate and reasonable, changes in the assumptions stated above may materially affect the assessment of recoverable amounts.

The accumulated impairment losses for property, plant and equipment, investment in subsidiaries, investment in an associate and right-of-use assets are disclosed in Notes 13, 16, 17 and 29 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 4. REVENUE

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Repair and maintenance	43,167	50,869	-	-
Rendering of services	98,253	113,939	-	-
Sale of goods	81	231	-	-
Management fee	352	534	-	-
Rental income	3,347	3,347	-	-
Interest income	-	-	2,421	2,455
	145,200	168,920	2,421	2,455

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

	2020			
		Defence and Security	Others	Total
Segments	Commercial	Security	Others	Total
Types of goods or service	RM'000	RM'000	RM'000	RM'000
Repair and maintenance	452	42,715	-	43,167
Rendering of services	-	98,253	-	98,253
Sales of goods	81	-	-	81
Management fees	-	-	352	352
Rental income	-	3,347	-	3,347
<b>Total revenue from contract with customers</b>	<b>533</b>	<b>144,315</b>	<b>352</b>	<b>145,200</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	81	83,698	352	84,131
Services transferred over time	452	60,617	-	61,069
<b>Total revenue from contract with customers</b>	<b>533</b>	<b>144,315</b>	<b>352</b>	<b>145,200</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 4. REVENUE (CONT'D.)

Set out below is the disaggregation of the Group's revenue from contracts with customers (cont'd.):

Segments Types of goods or service	2019			
	Commercial RM'000	Defence and Security RM'000	Others RM'000	Total RM'000
Repair and maintenance	650	50,219	-	50,869
Rendering of services	-	113,939	-	113,939
Sales of goods	231	-	-	231
Management fees	-	-	534	534
Rental income	-	3,347	-	3,347
<b>Total revenue from contract with customers</b>	<b>881</b>	<b>167,505</b>	<b>534</b>	<b>168,920</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	231	99,689	534	100,454
Services transferred over time	650	67,816	-	68,466
<b>Total revenue from contract with customers</b>	<b>881</b>	<b>167,505</b>	<b>534</b>	<b>168,920</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 4. REVENUE (CONT'D.)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information (Note 32):

	2020			
	Commercial RM'000	Defence and Security RM'000	Others RM'000	Total RM'000
<b>Revenue</b>				
External customer	533	144,315	352	145,200
Inter-segment	-	3,616	9,883	13,499
	533	147,931	10,235	158,699
Inter-segment adjustments and eliminations	-	(3,616)	(9,883)	(13,499)
<b>Total revenue from contract with customers</b>	<b>533</b>	<b>144,315</b>	<b>352</b>	<b>145,200</b>

	2019			
	Commercial RM'000	Defence and Security RM'000	Others RM'000	Total RM'000
<b>Revenue</b>				
External customer	881	167,505	534	168,920
Inter-segment	18	1,129	5,542	6,689
	899	168,634	6,076	175,609
Inter-segment adjustments and eliminations	(18)	(1,129)	(5,542)	(6,689)
<b>Total revenue from contract with customers</b>	<b>881</b>	<b>167,505</b>	<b>534</b>	<b>168,920</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 5. OPERATING COSTS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Raw materials and consumables	4,063	17,035	-	-
Cost in relation to rendering of services, repair and maintenance	56,896	39,192	-	-
Employee benefits expense (Note 8)	73,072	87,923	754	1,010
Non-executive directors' remuneration (Note 9)	1,935	813	1,635	706
Depreciation of property, plant and equipment (Note 13)	3,919	4,961	36	261
Depreciation of investment property (Note 14)	852	498	-	-
Depreciation of right-of-use assets (Note 29)	1,314	1,409	78	78
Property, plant and equipment written off	20	17	-	-
Loss/(gain) on disposal of property, plant and equipment	2	(41)	-	-
Asset held for sale written down (Note 19)	2,131	-	-	-
Other operating costs	9,113	7,479	2,030	1,140
	153,317	159,286	4,533	3,195
Other operating costs include:				
Auditors' remuneration:				
- Statutory audit				
- Current year audit fee	412	417	157	149
- Under provision of prior year audit fee	-	19	10	5
- Others	77	90	77	48
Inventories written back	-	(2,167)	-	-
Net (gain)/loss on foreign exchange:				
- realised	(31)	405	-	-
- unrealised	(432)	(387)	-	-
Rental for office building on short term lease	1,713	2,018	-	-
Rental for low value plant and equipment	146	236	-	-

### 6. IMPAIRMENT

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Impairment loss on investment in subsidiaries (Note 16)	-	-	12,500	-
Impairment loss on investment in associate (Note 17)	-	32,828	-	-
	-	32,828	12,500	-

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

**7. (REVERSAL OF)/ALLOWANCE FOR EXPECTED CREDIT LOSSES**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Allowance for expected credit losses of:				
- trade receivables (Note 21(a))	<b>18,500</b>	11,350	-	-
- other receivables (Note 21(d))	<b>2,382</b>	15,589	<b>11,183</b>	6
Reversal of expected credit losses of:				
- trade receivables (Note 21(a))	<b>(15,149)</b>	(390)	-	-
- other receivables (Note 21(d))	-	(208)	-	-
- contract assets (Note 22(a))	<b>(11,086)</b>	(1,225)	-	-
	<b>(5,353)</b>	25,116	<b>11,183</b>	6

**8. EMPLOYEE BENEFITS EXPENSE**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	<b>61,954</b>	75,591	<b>600</b>	201
Social security contribution	<b>837</b>	988	<b>1</b>	-
Defined contribution plan	<b>8,183</b>	9,930	<b>77</b>	-
Termination benefit	<b>5,210</b>	253	-	-
Others	<b>7,317</b>	12,286	<b>76</b>	809
	<b>83,501</b>	99,048	<b>754</b>	1,010
Less: Employee benefit expense capitalised in long term and construction contract costs	<b>(10,429)</b>	(11,125)	-	-
	<b>73,072</b>	87,923	<b>754</b>	1,010

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM Nil (2019: RM220,000) and RM Nil (2019: RM185,000), respectively as further disclosed in Note 9, excluding benefit in kind.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 9. DIRECTORS' REMUNERATION

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Executive directors' remuneration:				
Fees	-	118	-	85
Salary	-	89	-	89
Allowances	-	8	-	6
Defined contribution plan	-	5	-	5
<b>Total executive directors' remuneration (Note 36(b))</b>	<b>-</b>	<b>220</b>	<b>-</b>	<b>185</b>
Non-executive directors' remuneration:				
Fees	<b>1,487</b>	677	<b>1,220</b>	575
Allowances	<b>448</b>	136	<b>415</b>	131
<b>Total non-executive directors' remuneration (Note 5)</b>	<b>1,935</b>	<b>813</b>	<b>1,635</b>	<b>706</b>
<b>Total directors' remuneration</b>	<b>1,935</b>	<b>1,033</b>	<b>1,635</b>	<b>891</b>

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

	2020	2019
<u>Executive directors:</u>		
RM200,001 - RM250,000	-	1
<u>Non-executive directors:</u>		
RM10,001 - RM50,000	2	1
RM50,001 - RM100,000	2	11
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	3	-
RM250,001 - RM300,000	2	-
RM300,001 - RM350,000	1	-

Included in the above directors' remuneration bands are directors who had resigned during the year.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 10. FINANCE COSTS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Term loans	5,192	1,059	4,994	765
Revolving credits	10,906	15,325	7,437	12,462
Lease liability	471	516	-	-
Others	6	47	188	211
Finance cost recognised in profit or loss	16,575	16,947	12,619	13,438

## 11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Statement of comprehensive income:</b>				
Malaysian income tax:				
Current income tax	2,505	1,030	-	-
Under/(over) provision in prior years	52	(3,621)	-	-
Total income tax	2,557	(2,591)	-	-
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	(107)	2,270	-	-
Relating to derecognition of previously recognised deferred tax assets	15,388	-	-	-
(Over)/under provision in prior years	(32)	3,443	-	-
Total deferred tax	15,249	5,713	-	-
Income tax recognised in profit or loss	17,806	3,122	-	-



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 11. INCOME TAX EXPENSE (CONT'D.)

### Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loss before taxation	<b>(32,773)</b>	(113,514)	<b>(38,414)</b>	(14,184)
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	<b>(7,866)</b>	(27,243)	<b>(9,219)</b>	(3,404)
Expenses not deductible for tax purposes	<b>4,489</b>	8,225	<b>9,219</b>	3,404
Income not subject to tax	<b>(6)</b>	-	-	-
Utilisation of previously unrecognised tax losses and capital allowances	<b>(3,187)</b>	(400)	-	-
Impairment loss on associates	-	7,879	-	-
Share of results of associates	-	13,847	-	-
Share of results of joint ventures	<b>3,302</b>	(2,202)	-	-
Derecognition of previously recognised deferred tax assets	<b>15,388</b>	-	-	-
Deferred tax assets not recognised in respect of tax losses, unabsorbed capital allowances and others	<b>5,666</b>	3,194	-	-
Under/(over) provision of income tax expense in prior years	<b>52</b>	(3,621)	-	-
(Over)/under provision of deferred tax expense in prior years	<b>(32)</b>	3,443	-	-
Income tax expense recognised in profit or loss	<b>17,806</b>	3,122	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

**12. LOSS PER SHARE**

Basic and diluted earnings per share amount are calculated by dividing loss 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 and share data used in the basic and diluted EPS computation:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Loss for the year attributable to shareholders of the Company	<b>(50,579)</b>	(116,636)
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares in issue	<b>248,458</b>	248,458
	<b>Sen</b>	<b>Sen</b>
Basic and diluted loss per share for:		
Loss for the year attributable to shareholders of the Company	<b>(20.36)</b>	(46.94)



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 13. PROPERTY, PLANT AND EQUIPMENT

Group	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
<b>Cost</b>					
<b>At 1 January 2019</b>	59,060	19,940	34,468	299	113,767
Additions	-	68	277	-	345
Written off	(11)	(157)	(1,474)	-	(1,642)
Disposals	(260)	(649)	(471)	-	(1,380)
Reclassifications	-	-	299	(299)	-
<b>At 31 December 2019/1 January 2020</b>	<b>58,789</b>	<b>19,202</b>	<b>33,099</b>	<b>-</b>	<b>111,090</b>
Additions	-	8	183	-	191
Written off	-	-	(540)	-	(540)
Transfer to asset held for sale	(20,031)	(16,656)	(18,382)	-	(55,069)
Disposals	-	-	(127)	-	(127)
<b>At 31 December 2020</b>	<b>38,758</b>	<b>2,554</b>	<b>14,233</b>	<b>-</b>	<b>55,545</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (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
<b>Accumulated depreciation and impairment</b>					
<b>At 1 January 2019</b>	47,054	14,773	30,961	-	92,788
Depreciation charge for the year:	2,290	1,182	1,519	-	4,991
- Recognised in profit or loss (Note 5)	2,290	1,182	1,489	-	4,961
- Capitalised in long term and construction contract costs	-	-	30	-	30
Written off	(4)	(152)	(1,469)	-	(1,625)
Disposals	(260)	(649)	(401)	-	(1,310)
<b>At 31 December 2019/ 1 January 2020</b>	<b>49,080</b>	<b>15,154</b>	<b>30,610</b>	<b>-</b>	<b>94,844</b>
Depreciation charge for the year:	1,716	966	1,262	-	3,944
- Recognised in profit or loss (Note 5)	1,716	966	1,237	-	3,919
- Capitalised in long term and construction contract costs	-	-	25	-	25
Written off	-	-	(520)	-	(520)
Transfer to asset held for sale	(17,947)	(13,713)	(18,211)	-	(49,871)
Disposals	-	-	(123)	-	(123)
<b>At 31 December 2020</b>	<b>32,849</b>	<b>2,407</b>	<b>13,018</b>	<b>-</b>	<b>48,274</b>
<b>Representing:</b>					
Accumulated depreciation	25,899	2,407	13,018	-	41,324
Accumulated impairment	6,950	-	-	-	6,950
At 31 December 2020	32,849	2,407	13,018	-	48,274
<b>Net carrying amount</b>					
At 31 December 2020	5,909	147	1,215	-	7,271
At 31 December 2019	9,709	4,048	2,489	-	16,246



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

\* Land and buildings of the Group comprise:

Group	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
<b>Cost</b>			
<b>At 1 January 2019</b>	22,966	36,094	59,060
Written off	(11)	-	(11)
Disposals	-	(260)	(260)
<b>At 31 December 2019/ 1 January 2020</b>	<b>22,955</b>	<b>35,834</b>	<b>58,789</b>
Transfer to asset held for sale	-	(20,031)	(20,031)
<b>At 31 December 2020</b>	<b>22,955</b>	<b>15,803</b>	<b>38,758</b>
<b>Accumulated depreciation and impairment</b>			
<b>At 1 January 2019</b>	15,917	31,137	47,054
Depreciation charge for the year	634	1,656	2,290
Written off	(4)	-	(4)
Disposals	-	(260)	(260)
<b>At 31 December 2019/1 January 2020</b>	<b>16,547</b>	<b>32,533</b>	<b>49,080</b>
Depreciation charge for the year	634	1,082	1,716
Transfer to asset held for sale	-	(17,947)	(17,947)
<b>At 31 December 2020</b>	<b>17,181</b>	<b>15,668</b>	<b>32,849</b>
<b>Representing:</b>			
Accumulated depreciation	10,231	15,668	25,899
Accumulated impairment	6,950	-	6,950
<b>At 31 December 2020</b>	<b>17,181</b>	<b>15,668</b>	<b>32,849</b>
<b>Net carrying amount</b>			
<b>At 31 December 2020</b>	<b>5,774</b>	<b>135</b>	<b>5,909</b>
<b>At 31 December 2019</b>	<b>6,408</b>	<b>3,301</b>	<b>9,709</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

<b>Company</b>	<b>Equipment RM'000</b>
<b>Cost</b>	
<b>At 1 January 2019</b>	2,256
Additions	11
<b>At 31 December 2019/1 January 2020</b>	<b>2,267</b>
Additions	14
<b>At 31 December 2020</b>	<b>2,281</b>
<b>Accumulated depreciation</b>	
At 1 January 2019	1,713
Depreciation charge for the year (Note 5)	261
<b>At 31 December 2019/1 January 2020</b>	<b>1,974</b>
Depreciation charge for the year (Note 5)	36
<b>At 31 December 2020</b>	<b>2,010</b>
<b>Net carrying amount</b>	
At 31 December 2020	271
At 31 December 2019	293



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 14. INVESTMENT PROPERTY

Group	Hangar RM'000
<b>Cost</b>	
At 1 January 2019/31 December 2019/ at 31 December 2020	14,898
<b>Accumulated depreciation</b>	
At 1 January 2019	2,045
Depreciation charge for the year (Note 5)	498
<b>At 31 December 2019/1 January 2020</b>	<b>2,543</b>
Depreciation charge for the year (Note 5)	852
<b>At 31 December 2020</b>	<b>3,395</b>
<b>Net carrying amount</b>	
At 31 December 2020	11,503
At 31 December 2019	12,355



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

**14. INVESTMENT PROPERTY (CONT'D.)**

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'000
<b>As at 31 December 2020</b>			
Hangar	Comparison method	31 December 2020	<b>14,500</b>
<b>As at 31 December 2019</b>			
Hangar	Comparison method	31 December 2019	14,700

The fair value of the investment property was based on independent valuation using the open market value approach. Valuation is performed by accredited independent valuer with recent experience in the location and category of properties being valued.

The property is valued by reference to recent transactions of similar properties in the surrounding area as a measurement tool. Necessary adjustments were made to arrive at the appropriate value of the property.

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

The Group's investment property is secured against the term loan as disclosed in Note 26.

**15. INTANGIBLE ASSET**

	Group RM'000
<b>Ship design right, at cost</b>	
At 1 January 2019, 31 December 2019/1 January 2020 and 31 December 2020	<b>2,631</b>
<b>Accumulated impairment</b>	
At 1 January 2019, 31 December 2019/1 January 2020 and 31 December 2020	<b>(2,631)</b>
<b>Net carrying amount</b>	
At 31 December 2019 and 31 December 2020	<b>-</b>

Intangible asset relates to the purchase of design rights in prior years.



# NOTES TO THE FINANCIAL STATEMENTS

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## 16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
<b>Unquoted shares, at cost</b>	<b>701,801</b>	701,801
<b>Accumulated impairment losses</b>		
At 1 January	(421,801)	(421,801)
Impairment losses (Note 6)	(12,500)	-
At 31 December	(434,301)	(421,801)
<b>Total carrying amount</b>	<b>267,500</b>	280,000

The shares in a subsidiary with a carrying value of RM2,636,000 (2019: RM2,636,000) is pledged to financial institutions for banking facilities granted to a former corporate shareholder.

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

Name of subsidiaries	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2020 %	2019 %
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
<b>Held by BP Shipyard:</b>				
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

31 December 2020

## 16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

Name of subsidiaries	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2020 %	2019 %
Held by BP Shipyard (cont'd.):				
Malaysian Heavy Industry Group Sdn. Bhd.	Dormant	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")*	Dormant	RM3,000,003	100	100
BHIC Shipbuilding and 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 BHIC Defence:				
BHIC Defence Techservices Sdn. Bhd. ("BHIC Defence Techservices")	Provision of maintenance and services for arsenal, 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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 17. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost	54,840	54,840	1,250	1,250
Cumulative share of post acquisition (losses)/profits	(22,012)	35,685	-	-
Share of current year's post acquisition loss	-	(57,697)	-	-
	(22,012)	(22,012)	-	-
Less: Accumulated impairment losses	(32,828)	(32,828)	(1,250)	(1,250)
	-	-	-	-

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

Name of associates	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2020 %	2019 %
Held by the Company:				
Tohwa-Sedap Food Industry Sdn. Bhd. (In Members' Voluntary Liquidation)	Dormant	RM2,500,000	50.00	50.00
Held by Perstim Industries Sdn. Bhd.:				
Boustead Naval Shipyard Sdn. Bhd. ("BN Shipyard")	Construction, repair and maintenance of naval ships, weapons and electronics, design and engineering, fabrication of steel structures and commercial shipbuilding	RM130,000,003	20.77	20.77
Held by BP Shipyard:				
Penang Shipbuilding and Construction Holding (Thailand) Limited (Incorporated in Thailand)	Dormant	THB100,000	48.80	48.80

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

**17. 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.):

Name of associates	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2020 %	2019 %
<b>Held by BN Shipyard:</b>				
Boustead Langkawi Shipyard Sdn. Bhd.	Construction, repair and maintenance of boats and yachts	RM100,000,000	<b>20.77</b>	20.77
BN Shiprepair Sdn. Bhd.	Ceased operations	RM1,000,000	<b>20.77</b>	20.77
Boustead Yachts Sdn. Bhd.	Ceased operations	RM1,000,000	<b>20.77</b>	20.77

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

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

	2020 RM'000	2019 RM'000
<b>Assets and liabilities</b>		
Current assets	<b>1,182,340</b>	1,131,544
Non-current assets	<b>329,500</b>	359,408
Total assets	<b>1,511,840</b>	1,490,952
Current liabilities	<b>1,877,686</b>	1,684,739
Non-current liabilities	<b>279,777</b>	431,617
Total liabilities	<b>2,157,463</b>	2,116,356
<b>Net liabilities</b>	<b>(645,623)</b>	(625,404)
<b>Results</b>		
Revenue	<b>515,142</b>	998,423
Loss for the year	<b>(20,219)</b>	(277,794)





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 17. INVESTMENTS IN ASSOCIATES (CONT'D.)

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

	2020 RM'000	2019 RM'000
Net liabilities at 1 January	(625,404)	(347,610)
Loss for the year	-	(277,794)
Net liabilities at 31 December	(625,404)	(625,404)
Interest in associate	20.77%	20.77%
Group's share of net liabilities	(129,896)	(129,896)
Goodwill	162,724	162,724
	32,828	32,828
Impairment	(32,828)	(32,828)
Carrying value of Group's investment in associates	-	-

- (i) The Group has recognised its shares of losses of interest in BNS when applying the equity method up to its interest in the associates.
- (ii) Impairment loss recognised in profit and loss in previous year of RM32.8 million relates to investment in BNS. An impairment review of the carrying amount of the investment in associate at the reporting date was undertaken based on value in use after taking into consideration that the associate has reported losses and depleting shareholders' funds indicating that the carrying amount of investment in associate may be impaired. The value in use derived is based on the cash flow projections reflecting management expectation of revenue growth, operating cost, margins, future contracts based on their recent experience and order book, discounted using a pre-tax discount rate of 12%. As a result, an impairment loss of RM32.8 million was recognised in previous year.

## NOTES TO THE FINANCIAL STATEMENTS

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## 18. INVESTMENTS IN JOINT VENTURES

	2020 RM'000	2019 RM'000
Unquoted shares, at cost	45,591	45,591
Cumulative share of post acquisition profits	54,340	47,789
Share of current year's post acquisition (losses)/profits	(13,758)	9,177
Less: Dividend paid (Note 36 (a))	(3,677)	(2,626)
	36,905	54,340
	82,496	99,931

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:

Name of joint ventures	Principal activities	Paid-up capital	Percentage of ownership interest held by the group	
			2020 %	2019 %
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
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



## NOTES TO THE FINANCIAL STATEMENTS

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### 18. 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	
			2020 %	2019 %
Held by BHIC Defence: (cont'd.)				
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 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	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	RM37,525,000	30	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

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

## NOTES TO THE FINANCIAL STATEMENTS

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## 18. INVESTMENTS IN JOINT VENTURES (CONT'D.)

## (a) 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

Group	2020			2019		
	BDNC RM'000	CAD RM'000	BHICAS RM'000	BDNC RM'000	CAD RM'000	BHICAS RM'000
<b>Non-current assets</b>	<b>2,425</b>	<b>441,604</b>	<b>22,120</b>	4,905	104,156	17,438
Cash and cash equivalent	<b>116,639</b>	<b>92,070</b>	<b>8,671</b>	239,487	107,877	18,530
Other current assets	<b>243,281</b>	<b>57,606</b>	<b>26,854</b>	166,570	436,642	25,630
<b>Total current assets</b>	<b>359,920</b>	<b>149,676</b>	<b>35,525</b>	406,057	544,519	44,160
<b>Total assets</b>	<b>362,345</b>	<b>591,280</b>	<b>57,645</b>	410,962	648,675	61,598
Current financial liabilities (excluding trade and other payables and provisions)	-	-	-	-	-	2,041
Trade and other payables and provisions	<b>584,142</b>	<b>313,263</b>	<b>41,881</b>	534,850	517,774	17,164
<b>Total current liabilities</b>	<b>584,142</b>	<b>313,263</b>	<b>41,881</b>	534,850	517,774	19,205
<b>Non-current liabilities</b>	<b>379</b>	<b>168,702</b>	<b>9,303</b>	-	9,303	12,222
<b>Total liabilities</b>	<b>584,521</b>	<b>481,965</b>	<b>51,184</b>	534,850	527,077	31,427
<b>Net (liabilities)/assets</b>	<b>(222,176)</b>	<b>109,315</b>	<b>6,461</b>	(123,888)	121,598	30,171



# NOTES TO THE FINANCIAL STATEMENTS

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## 18. INVESTMENTS IN JOINT VENTURES (CONT'D.)

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

#### (ii) Summarised statements of comprehensive income

Group	← 2020 →			← 2019 →		
	BDNC RM'000	CAD RM'000	BHICAS RM'000	BDNC RM'000	CAD RM'000	BHICAS RM'000
Revenue	252,643	104,405	56,822	239,071	182,531	86,460
Depreciation	(1,264)	(48,395)	(3,761)	(5,558)	(73,106)	(4,059)
Interest income	3,572	2,304	29	4,781	4,069	52
Finance costs	(29)	(333)	(888)	(30)	(260)	(981)
(Loss)/profit before tax from continuing operations	(93,035)	(13,388)	(22,635)	46,490	8,924	7,663
Income tax (expense)/ benefit	(5,253)	1,105	5,535	(22,788)	(3,149)	5,741
(Loss)/profit for the year, representing total comprehensive (loss)/ income for the year, net of tax	(98,288)	(12,283)	(17,100)	23,702	5,775	13,404
Dividend received from joint ventures during the year	-	-	3,371	-	-	2,321



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 18. INVESTMENTS IN JOINT VENTURES (CONT'D.)

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

Group	Note	2020			2019		
		BDNC RM'000	CAD RM'000	BHICAS RM'000	BDNC RM'000	CAD RM'000	BHICAS RM'000
Net (liabilities)/assets at 1 January		(123,888)	121,598	30,171	(147,590)	115,823	21,317
(Loss)/profit for the year		(98,288)	(12,283)	(17,100)	23,702	5,775	13,404
Dividend		-	-	(6,610)	-	-	(4,550)
Net (liabilities)/assets at 31 December		(222,176)	109,315	6,461	(123,888)	121,598	30,171
Interest in joint ventures (%)		60	51	51	60	51	51
Goodwill		-	3,849	-	-	3,849	-
Carrying value of Group's interest in joint ventures	(i)	-	59,600	3,295	-	65,864	15,387

(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.

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

	Group	
	2020 RM'000	2019 RM'000
The Group's share of profit/(loss) before tax	3,560	(723)
The Group's share of profit/(loss) after tax, representing total comprehensive income/(loss)	1,227	(604)
Carrying value of Group's interest in joint ventures	19,601	18,680



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 22 December 2020, the Group's wholly owned subsidiary Boustead Penang Shipyard Sdn Bhd has entered into three agreements for the sale of plant and equipment for RM3,448,000, RM310,000 and RM199,000 to A.D Metals Trading Sdn Bhd, Boustead Langkawi Shipyard Sdn Bhd and Boustead Naval Shipyard Sdn Bhd respectively. The Group had received a deposit of RM1,000,000 subsequent to year end and the proposed disposal is expected to be completed within the next 12 months.

As at 31 December 2020, the plant and equipment of the Group's has been reclassified from property, plant and equipment and right-of-use assets to non-current assets held for sale.

The directors had assessed that the criteria were met in accordance with MFRS 5 Non-current Assets Held for Sale prior to classifying the following assets as held for sale.

#### Statement of financial position disclosure

The non-current assets classified as held for sale as at 31 December 2020 are as follows:

	Group RM'000
<b>At 1 January 2020</b>	-
Transfer from Property, Plant and Equipment ("PPE"):	
Land and buildings (Note 13)	2,084
Plant and machineries (Note 13)	2,943
Equipment, fittings, renovation, motor vehicles and others (Note 13)	171
Transfer from Right-of-use ("ROU") assets (Note 29)	818
	6,016
Less: Assets held for sale written down	(2,131)
<b>At 31 December 2020</b>	<b>3,885</b>

The fair value less cost to sell is based on the signed sales agreements on the resale value of the assets.

### 20. INVENTORIES

	Group 2020 RM'000	2019 RM'000
<b>Consumables</b>		
At cost	3,160	3,239
At net realisable value	-	2,970
	<b>3,160</b>	<b>6,209</b>

Inventories carried at lower of cost or net realisable value are included as part of raw material and consumables expensed during the financial year, as disclosed in Note 5 to the financial statement.

## NOTES TO THE FINANCIAL STATEMENTS

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## 21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Trade receivables</b>				
Third parties	22,028	22,602	-	-
Due from related parties:				
Associates	264,694	221,944	-	-
Joint ventures	7,979	21,602	-	-
	294,701	266,148	-	-
Unbilled receivables due from:				
- Third parties	190	302	-	-
- Associates	5,730	965	-	-
Less: Allowance for expected credit losses:				
- Third parties	(3,288)	(3,288)	-	-
- Associates	(29,850)	(11,350)	-	-
- Joint ventures	(5,173)	(20,322)	-	-
Trade receivables, net	262,310	232,455	-	-
<b>Other receivables</b>				
Due from related parties:				
- Subsidiaries	-	-	31,016	52,277
- Joint ventures	29,390	29,217	-	-
- Associates	2,251	2,039	256	256
- Related companies	47	47	-	-
Dividend receivable	-	-	45,500	45,500
	31,688	31,303	76,772	98,033
Deposits	864	938	-	-
Prepayments	379	303	-	-
Sundry receivables	4,054	5,189	26	2
Advances to suppliers	1,364	8,300	-	-
	38,349	46,033	76,798	98,035



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 21. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Less: Allowance for expected credit losses:				
- Subsidiaries	-	-	(11,417)	(234)
- Joint ventures	(27,606)	(27,346)	-	-
- Associates	(28)	(28)	-	-
- Sundry receivables	(2,507)	(385)	-	-
- Advance to suppliers	(1,068)	(1,068)	-	-
	(31,209)	(28,827)	(11,417)	(234)
Other receivables, net	7,140	17,206	65,381	97,801
<b>Total trade and other receivables</b>	<b>269,450</b>	<b>249,661</b>	<b>65,381</b>	<b>97,801</b>
<b>Total trade and other receivables</b>	<b>269,450</b>	<b>249,661</b>	<b>65,381</b>	<b>97,801</b>
Add: Cash and bank balances (Note 23)	3,498	28,307	143	1,003
Less: Prepayments	(379)	(303)	-	-
Less: Advances to suppliers	(296)	(7,232)	-	-
Less: GST recoverable	(1)	(3,389)	-	-
Total debt instruments at amortised cost	272,272	267,044	65,524	98,804

### (a) Allowances 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:

	2020	2019
	RM'000	RM'000
Trade receivables-nominal value	278,885	246,521
Less: Allowance for expected credit losses	(38,311)	(34,960)
	240,574	211,561
	2020	2019
	RM'000	RM'000
At 1 January	34,960	24,416
Charge for the year (Note 7)	18,500	11,350
Reversal of expected credit losses (Note 7)	(15,149)	(390)
Written off	-	(416)
At 31 December	38,311	34,960

The information about the credit exposure are disclosed in Note 30(c).

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

**21. TRADE AND OTHER RECEIVABLES (CONT'D.)****(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 (2019: 30 days), extending up to 90 days (2019: 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 30.

**(c) 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 5.82% (2019: 5.77%) per annum.

**(d) 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:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables - nominal value	<b>31,209</b>	28,827	<b>75,262</b>	234
Less: Allowance for expected credit losses	<b>(31,209)</b>	(28,827)	<b>(11,417)</b>	(234)
	-	-	<b>63,845</b>	-

Movement in allowance account:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>28,827</b>	25,325	<b>234</b>	228
Charge for the year (Note 7)	<b>2,382</b>	15,589	<b>11,183</b>	6
Reversal of expected credit losses (Note 7)	-	(208)	-	-
Written off	-	(11,879)	-	-
At 31 December	<b>31,209</b>	28,827	<b>11,417</b>	234

The information about the credit exposure are disclosed in Note 30(c).





# NOTES TO THE FINANCIAL STATEMENTS

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## 22. CONTRACT BALANCES

### (a) Contract assets/(liabilities)

	Group	
	2020 RM'000	2019 RM'000
<b>Current assets</b>		
Contract assets	3,630	1,725
<b>Current liabilities</b>		
Contract liabilities	(18)	(1,514)

Information on trade receivables balances from contracts with customers is disclosed in Note 21.

Set out below is the amount of revenue recognised from:

	Group	
	2020 RM'000	2019 RM'000
Amounts included in contract liabilities at the beginning of the year	1,495	19,557
Performance obligations satisfied in previous years	11,086	1,225
	<b>12,581</b>	<b>20,782</b>

As at 31 December 2020, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of RM9,748,000 (2019: RM32,773,000) 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	
	2020 RM'000	2019 RM'000
At 1 January	11,086	12,311
Reversal of expected credit losses (Note 7)	(11,086)	(1,225)
At 31 December	-	11,086

## NOTES TO THE FINANCIAL STATEMENTS

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**23. CASH AND BANK BALANCES**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits with licensed banks	<b>1,200</b>	12,932	<b>100</b>	834
Cash on hand and at banks	<b>2,298</b>	15,375	<b>43</b>	169
	<b>3,498</b>	28,307	<b>143</b>	1,003

The maturity periods of the Group's and the Company's deposits with licensed banks as at the reporting date ranged between 1 day to 45 days (2019: 1 day to 60 days).

The amount of deposit placed with the financial institutions which are Government-related entities amount to RM3,484,000 (2019: RM28,151,000).

Other information on financial risks of cash and bank balances are disclosed in Note 30.

**24. SHARE CAPITAL**

	<b>Group and Company</b>			
	<b>Number of shares</b>		<b>Amount</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Issued and fully paid ordinary shares:</b>				
As at 1 January/31 December	<b>248,458</b>	248,458	<b>248,458</b>	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.



# NOTES TO THE FINANCIAL STATEMENTS

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## 25. PROVISIONS

Group	Provision for		Total RM'000
	Directors' fee RM'000 (Note a)	onerous contract RM'000 (Note b)	
<b>At 1 January 2019</b>	712	-	712
Arising during the year	843	-	843
Utilised during the year	(712)	-	(712)
<b>At 31 December 2019/1 January 2020</b>	<b>843</b>	<b>-</b>	<b>843</b>
Arising during the year	-	12,654	12,654
Utilised during the year	(843)	-	(843)
<b>At 31 December 2020</b>	<b>-</b>	<b>12,654</b>	<b>12,654</b>

Company	Directors' fee	
	RM'000	
<b>At 1 January 2019</b>	475	
Arising during the year	660	
Utilised during the year	(475)	
<b>At 31 December 2019/1 January 2020</b>	<b>660</b>	
Arising during the year	-	
Utilised during the year	(660)	
<b>At 31 December 2020</b>	<b>-</b>	

### (a) Directors' fee

This relate to estimation of director fees expected to be paid to the director.

### (b) Provision for onerous contract

Provision of onerous contract comprises of unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## NOTES TO THE FINANCIAL STATEMENTS

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## 26. LOANS AND BORROWINGS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Short term borrowings</b>				
<b>Secured:</b>				
Term loans	1,120	1,120	-	-
<b>Unsecured:</b>				
Term loans	32,627	17,000	32,627	17,000
Revolving credits	202,500	211,500	152,000	160,000
	<b>235,127</b>	<b>228,500</b>	<b>184,627</b>	<b>177,000</b>
<b>Total short term borrowings:</b>				
Term loans	33,747	18,120	32,627	17,000
Revolving credits	202,500	211,500	152,000	160,000
	<b>236,247</b>	<b>229,620</b>	<b>184,627</b>	<b>177,000</b>
<b>Long term borrowings</b>				
<b>Secured:</b>				
Term loans	2,446	3,566	-	-
<b>Unsecured:</b>				
Term loans	52,373	68,000	52,373	68,000
<b>Total long term borrowings:</b>				
Term loans	54,819	71,566	52,373	68,000
<b>Total borrowings:</b>				
Term loans	88,566	89,686	85,000	85,000
Revolving credits	202,500	211,500	152,000	160,000
	<b>291,066</b>	<b>301,186</b>	<b>237,000</b>	<b>245,000</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 26. LOANS AND BORROWINGS (CONT'D.)

#### Reconciliation of liabilities arising from financing activities

Group	Term loan RM'000	Revolving credits RM'000	Lease liabilities (Note 29) RM'000	Total RM'000
<b>At 1 January 2019</b>	5,806	267,000	9,308	282,114
Drawdown	-	31,500	-	31,500
Addition	-	-	75	75
Repayment	(1,120)	(2,000)	(791)	(3,911)
Conversion (Note a)	85,000	(85,000)	-	-
<b>At 31 December 2019/1 January 2020</b>	<b>89,686</b>	<b>211,500</b>	<b>8,592</b>	<b>309,778</b>
Repayment	(1,120)	(9,000)	(783)	(10,903)
<b>At 31 December 2020</b>	<b>88,566</b>	<b>202,500</b>	<b>7,809</b>	<b>298,875</b>

Company	Term loan RM'000	Revolving credits RM'000	Lease liabilities (Note 29) RM'000	Total RM'000
<b>At 1 January 2019</b>	-	213,500	-	213,500
Drawdown	-	31,500	-	31,500
Conversion (Note a)	85,000	(85,000)	-	-
<b>At 31 December 2019/1 January 2020</b>	<b>85,000</b>	<b>160,000</b>	<b>-</b>	<b>245,000</b>
Repayment	-	(8,000)	-	(8,000)
<b>At 31 December 2020</b>	<b>85,000</b>	<b>152,000</b>	<b>-</b>	<b>237,000</b>

(a) The Group had refinanced part of its revolving credits (RM85,000,000) as term loan, which is repayable within 3 years commencing from 14 November 2019.

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

The secured term loan of the Group is secured against an investment property as disclosed in Note 14.

Other information on financial risks of loans and borrowings are disclosed in Note 30.

The outstanding amount of borrowings obtained from the financial institutions which are Government-related entities amounted to RM247,566,000 (2019: RM258,137,000).



## NOTES TO THE FINANCIAL STATEMENTS

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## 27. DEFERRED TAXATION

	Group	
	2020 RM'000	2019 RM'000
At 1 January	(15,248)	(20,961)
Recognised in profit or loss (Note 11)	15,249	5,713
At 31 December	1	(15,248)
Presented after appropriate offsetting as follows:		
Deferred tax assets	-	(15,388)
Deferred tax liabilities	1	140
	1	(15,248)

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	Lease liabilities RM'000	Others RM'000	Total RM'000
<b>Deferred tax assets</b>				
At 1 January 2019	(13,623)	-	(10,536)	(24,159)
Recognised in profit or loss	(1,363)	(1,839)	7,683	4,481
<b>At 31 December 2019/1 January 2020</b>	<b>(14,986)</b>	<b>(1,839)</b>	<b>(2,853)</b>	<b>(19,678)</b>
Recognised in profit or loss	10,620	70	2,790	13,480
<b>At 31 December 2020</b>	<b>(4,366)</b>	<b>(1,769)</b>	<b>(63)</b>	<b>(6,198)</b>
	Right-of-use asset RM'000	Property, plant and equipment RM'000	Others RM'000	Total RM'000
<b>Deferred tax liabilities</b>				
At 1 January 2019	-	408	2,790	3,198
Recognised in profit or loss	1,626	(394)	-	1,232
<b>At 31 December 2019/1 January 2020</b>	<b>1,626</b>	<b>14</b>	<b>2,790</b>	<b>4,430</b>
Recognised in profit or loss	(91)	1,860	-	1,769
<b>At 31 December 2020</b>	<b>1,535</b>	<b>1,874</b>	<b>2,790</b>	<b>6,199</b>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 27. DEFERRED TAXATION (CONT'D.)

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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Temporary differences arising from:				
- unused tax losses	(142,842)	(113,149)	(47)	(47)
- unabsorbed capital allowances	(44,254)	(46,110)	-	-
- others	(47,169)	(561)	(489)	(489)
	(234,265)	(159,820)	(536)	(536)

The unused tax losses and unabsorbed capital allowances of the Group and of the Company are available for offset against future taxable profits subject to guidelines issued by the tax authority. Deferred tax assets have been recognised in respect of unused tax losses items, to the extent that future taxable profits are probable to be utilised in the foreseeable future.

Under the Malaysian Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses will be imposed with a limit of utilisation. Effective from year of assessment 2018, unutilised tax losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment.

### 28. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Trade payables</b>				
Third parties	24,100	19,646	-	-
Due to related parties:				
- Associates	139	242	-	-
- Joint ventures	2,312	1,924	-	-
	26,551	21,812	-	-
<b>Other payables</b>				
Due to related parties:				
- Subsidiaries	-	-	6,600	6,678
- Holding company	1,317	869	1,118	617
- Joint ventures	2,501	2,731	54	55
- Associates	3,942	5,200	154	151
- Related companies	1,462	954	86	-
	9,222	9,754	8,012	7,501
Accruals	3,369	3,808	1,841	1,723
Sundry payables	5,182	5,129	569	4
	17,773	18,691	10,422	9,228
<b>Total trade and other payables</b>	<b>44,324</b>	<b>40,503</b>	<b>10,422</b>	<b>9,228</b>

## NOTES TO THE FINANCIAL STATEMENTS

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## 28. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Total trade and other payables</b>	<b>44,324</b>	40,503	<b>10,422</b>	9,228
Add: Loans and borrowings (Note 26)	<b>291,066</b>	301,186	<b>237,000</b>	245,000
Add: Lease liabilities (Note 29)	<b>7,809</b>	8,592	-	-
<b>Total financial liabilities carried at amortised costs</b>	<b>343,199</b>	350,281	<b>247,422</b>	254,228

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2019: 30 to 90 days).

(b) Non trade balances due to related parties

All payables to 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 Nil (2019: 3.25%) per annum.

Further details on related party transactions are disclosed in Note 36.

Other information on financial risks of trade and other payables are disclosed in Note 30.

## 29. LEASES

## (a) Right-of-use assets

The carrying amount of the right-of-use assets for the Group and for the Company are as follows:

Group as a lessee

	Land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
<b>Carrying amount</b>				
<b>At 1 January 2019</b>	36,183	922	436	37,541
Additions	75	-	-	75
Depreciation expense for the financial year (Note 5)	(1,181)	(54)	(174)	(1,409)
<b>At 31 December 2019/1 January 2020</b>	<b>35,077</b>	<b>868</b>	<b>262</b>	<b>36,207</b>
Depreciation expense for the financial year (Note 5)	(1,154)	(50)	(110)	(1,314)
Transfer to asset held for sale (Note 19)	-	(818)	-	(818)
<b>At 31 December 2020</b>	<b>33,923</b>	<b>-</b>	<b>152</b>	<b>34,075</b>



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 29. LEASES (CONT'D.)

### (a) Right-of-use assets (cont'd.)

The carrying amount of the right-of-use assets for the Group and for the Company are as follows (cont'd.):

#### Company as a lessee

	Land and buildings RM'000
<b>Carrying amount</b>	
<b>At 1 January 2019</b>	7,393
Depreciation expense for the financial year (Note 5)	(78)
<b>At 31 December 2019/1 January 2020</b>	<b>7,315</b>
Depreciation expense for the financial year (Note 5)	<b>(78)</b>
<b>At 31 December 2020</b>	<b>7,237</b>

The Group and the Company have lease contracts for various items of leasehold land, buildings and jetty used in their operations. Leases of land generally have lease terms between 20 to 99 years while buildings and jetty generally have lease terms between 2 and 5 years. The lease arrangements generally do not allow for subleasing of the leased asset, unless there is a contractual right for the Group and the Company to sublet the lease asset to another party.

Included in land are two pieces of land in Kota Kinabalu, Sabah and in Bentong, Pahang with carrying amounts of RM10.9 million and RM7.2 million (2019: RM11.1 million and RM7.3 million) respectively whose land titles are still in the process of being transferred to the Group.

The Group and the Company also have certain leases with lease terms of 12 months or less and leases that have been determined to be low value. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases.

### (b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the financial year:

	Note	2020 RM'000	2019 RM'000
At 1 January		8,592	9,308
Additions		-	75
Accretion of interest	10	471	516
Payments		(1,254)	(1,307)
At 31 December		<b>7,809</b>	8,592
<b>Analysed as:</b>			
Current		600	809
Non-current		7,209	7,783
		<b>7,809</b>	8,592

The maturity analysis of lease liabilities are disclosed in Note 30.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 29. LEASES (CONT'D.)

## (b) Lease liabilities (cont'd.)

The following are the amount recognised in profit or loss:

	2020 RM'000	2019 RM'000
Depreciation expense of right-of-use assets	1,314	1,409
Interest expense on lease liabilities	471	516
Expense relating to short-term leases	1,713	2,018
Expense relating to leases of low-value assets	146	236
<b>Total amount recognised in profit or loss</b>	<b>3,644</b>	<b>4,179</b>

The Group has total cash outflow for leases amounting to RM1,254,000 (2019: RM1,307,000). Further details are disclosed in Note 26.

## (c) Group as a 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 leases as at 31 December 2020 are as follows:

	2020 RM'000	2019 RM'000
<b><u>Operating lease</u></b>		
Within 1 year	2,667	2,667
Later than 1 year but not later than 5 years	7,223	8,001
Later than 5 years	-	1,889
	<b>9,890</b>	<b>12,557</b>





# NOTES TO THE FINANCIAL STATEMENTS

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## 30. 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 Chief Executive Officer 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.

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:

Group	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
<b>At 31 December 2020</b>							
<b>Fixed rate</b>							
Deposits with licensed banks	23	1.65%	1,200	-	-	-	1,200
<b>Floating rate</b>							
Term loans	26	6.14%	(33,747)	(35,574)	(19,245)	-	(88,566)
Revolving credits	26	4.90%	(202,500)	-	-	-	(202,500)
Lease liabilities	29	5.75%	(600)	(396)	(1,316)	(5,497)	(7,809)
<b>At 31 December 2019</b>							
<b>Fixed rate</b>							
Deposits with licensed banks	23	2.97%	12,932	-	-	-	12,932
<b>Floating rate</b>							
Term loans	26	6.70%	(18,120)	(35,120)	(36,446)	-	(89,686)
Revolving credits	26	5.61%	(211,500)	-	-	-	(211,500)
Lease liabilities	29	5.75%	(809)	(574)	(1,217)	(5,992)	(8,592)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

## (a) Interest rate risk (cont'd.)

Company	Note	WAEIR %	Within 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Total RM'000
<b>At 31 December 2020</b>						
<b>Fixed rate</b>						
Deposits with licensed banks	23	1.65%	100	-	-	100
<b>Floating rate</b>						
Term loan	26	6.19%	(32,627)	(34,454)	(17,919)	(85,000)
Revolving credits	26	4.32%	(152,000)	-	-	(152,000)
<b>At 31 December 2019</b>						
<b>Fixed rate</b>						
Deposits with licensed banks	23	2.98%	834	-	-	834
<b>Floating rate</b>						
Term loan	26	6.75%	(17,000)	(34,000)	(34,000)	(85,000)
Revolving credits	26	5.65%	(160,000)	-	-	(160,000)

Interests on borrowings that are subject to floating rate are contractually repriced within a year. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group and the Company's profit net of tax would have been RM1,136,000 (2019: RM1,177,000) and RM901,000 (2019: RM931,000) 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

31 December 2020

## 30. 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.

	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
<b>At 31 December 2020</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables (Note 28)	44,324	-	-	44,324
Loans and borrowings	244,143	59,721	-	303,864
Lease liabilities	1,032	3,188	6,798	11,018
Total undiscounted financial liabilities	289,499	62,909	6,798	359,206
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables (Note 28)	10,422	-	-	10,422
Loans and borrowings	191,454	57,064	-	248,518
Total undiscounted financial liabilities	201,876	57,064	-	258,940
<b>At 31 December 2019</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables (Note 28)	40,503	-	-	40,503
Loans and borrowings	231,047	79,561	-	310,608
Lease liabilities	1,281	4,192	6,798	12,271
Total undiscounted financial liabilities	272,831	83,753	6,798	363,382
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables (Note 28)	9,228	-	-	9,228
Loans and borrowings	177,529	75,515	-	253,044
Total undiscounted financial liabilities	186,757	75,515	-	262,272

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### (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

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### 30. 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			
	2020 RM'000	% of total	2019 RM'000	% of total
<b>By country:</b>				
Malaysia	244,810	93.3%	214,811	92.4%
Others	17,500	6.7%	17,644	7.6%
	<b>262,310</b>	<b>100.0%</b>	<b>232,455</b>	<b>100.0%</b>
<b>By industry sector:</b>				
Defence and security	262,291	99.9%	232,348	99.9%
Commercial	19	0.1%	107	0.1%
	<b>262,310</b>	<b>100.0%</b>	<b>232,455</b>	<b>100.0%</b>

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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

#### (c) Credit risk (cont'd.)

##### Credit risk concentration profile (cont'd.)

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.

#### (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:

	<u>Note</u>
Trade and other receivables	21
Loans and borrowings	26
Trade and other payables	28

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.

#### (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") and Singapore Dollar ("SGD"). Foreign exchange exposures are kept to an acceptable level.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

**30. 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
<b>At 31 December 2020</b>				
USD	20	-	(395)	(375)
EUR	25	312	(18,762)	(18,425)
SGD	-	-	(47)	(47)
	<b>45</b>	<b>312</b>	<b>(19,204)</b>	<b>(18,847)</b>
<b>At 31 December 2019</b>				
USD	20	8	(532)	(504)
EUR	113	457	(9,384)	(8,814)
SGD	-	-	(871)	(871)
	<b>133</b>	<b>465</b>	<b>(10,787)</b>	<b>(10,189)</b>

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

		<b>Group Profit/(loss) net of tax</b>	
		<b>2020</b>	<b>2019</b>
		<b>RM'000</b>	<b>RM'000</b>
USD/RM	- strengthened 5%	(19)	(25)
	- weakened 5%	19	25
EUR/RM	- strengthened 5%	(921)	(441)
	- weakened 5%	921	441
SGD/RM	- strengthened 5%	(2)	(44)
	- weakened 5%	2	44

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 31. 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 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is derived by dividing the amount of borrowings (Note 26) over total equity. At the reporting date, the Group's gearing ratio calculated by dividing the amount of borrowings (Note 26) over the aggregate of the equity held by shareholders and non-controlling interests is 4.45 times (2019: 2.60 times).

### 32. SEGMENTAL INFORMATION

The Group's business is 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 CEO reviews the internal management reports at least on a quarterly basis. The following summary describes the operations of each of the Group's segments:

**Defence and Security** - The business units under this segment are principally engaged in shipbuilding and maintenance, repair and overhaul ("MRO") of the Royal Malaysian Navy's patrol vessels. In addition, this segment is also involved in manufacturing, supply and maintenance of defence related electronic products;

**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

**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 RM144,315,000 (2019: RM167,505,000) 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

31 December 2020

## 32. 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
<b>As at 31 December 2020</b>						
Group total sales	147,931	-	533	10,235	(13,499)	145,200
Inter-segment sales	(3,616)	-	-	(9,883)	13,499	-
External Revenue	144,315	-	533	352	-	148,658
Operating costs	(108,380)	(2,154)	(12,331)	(26,965)	(3,487)	(153,317)
Impairment of goodwill	-	-	-	-	-	-
Reversal of/(allowance for) expected credit loss	4,659	-	-	(21,930)	22,624	5,353
<b>Results from operations</b>	<b>40,594</b>	<b>(2,154)</b>	<b>(11,798)</b>	<b>(48,543)</b>	<b>19,137</b>	<b>(2,764)</b>
Interest income	846	-	-	2,799	(3,321)	324
Finance costs	(1,103)	-	(1,761)	(19,417)	5,706	(16,575)
Share of result in joint ventures	(13,758)	-	-	-	-	(13,758)
<b>Loss before tax</b>	<b>26,579</b>	<b>(2,154)</b>	<b>(13,559)</b>	<b>(65,161)</b>	<b>21,522</b>	<b>(32,773)</b>
Income tax expense						(17,806)
<b>Loss net of tax</b>						<b>(50,579)</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 32. 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 (cont'd.):

	Defence and Security RM'000	Energy RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>As at 31 December 2019</b>						
Group total sales	168,634	-	899	6,076	(6,689)	168,920
Inter-segment sales	(1,129)	-	(18)	(5,542)	6,689	-
External Revenue	167,505	-	881	534	-	168,920
Operating costs	(133,957)	(3,259)	(4,421)	(14,764)	(2,885)	(159,286)
Impairment of goodwill (Allowance for)/reversal of expected credit loss	(32,828)	-	-	-	-	(32,828)
	(25,388)	-	272	-	-	(25,116)
<b>Results from operations</b>	(24,668)	(3,259)	(3,268)	(14,230)	(2,885)	(48,310)
Interest income	1,372	-	-	2,763	(3,872)	263
Finance costs	(1,243)	-	(1,641)	(20,359)	6,296	(16,947)
Share of result in joint ventures	9,177	-	-	-	-	9,177
Share of result in associates	(57,697)	-	-	-	-	(57,697)
<b>Loss before tax</b>	(73,059)	(3,259)	(4,909)	(31,826)	(461)	(113,514)
Income tax expense						(3,122)
<b>Loss net of tax</b>						(116,636)





## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 33. CAPITAL COMMITMENTS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Approved but not contracted for:				
- Property, plant and equipment	2,914	68,791	1,630	-
Approved and contracted for:				
- Property, plant and equipment	-	42	-	-

### 34. CONTINGENT LIABILITIES

#### (a) 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 had allowed the application by the Group's associate to strike out the Plaintiff's claim with costs of RM5,000.00 to be paid by the Plaintiff to the Group's associate. The Group's associate, as instructed by the High Court, had on 1 April 2013 withdrawn its counterclaim with liberty to file afresh with no order as to costs.

The Plaintiff had, on 22 March 2013, filed a Notice of Appeal to the Court of Appeal against the decision of the High Court. The Court of Appeal heard the appeal on 11 November 2013 and allowed the Plaintiff's appeal and ordered the matter to be tried at the High Court.

The Group's associate filed an appeal to the Federal Court and on 22 August 2017 the Federal Court set aside both the decisions of the Court of Appeal and the High Court and ordered the matter to be reverted to the Ipoh High Court for full trial. The trial at the High Court commenced on 16 and 17 April 2018.

On 18 January 2021, the Ipoh High Court dismissed the Plaintiff's claim with cost of RM15,000 awarded to the Group's associate.

#### (b) 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.

On 28 June 2019, BDNC received a letter from MINDEF claiming for LD amounting to RM22.4 million and EUR8.8 million for the refit works on KD TUNKU ABDUL RAHMAN.

On 29 May 2020, BDNC received a letter from MINDEF claiming for LD amounting to RM11.6 million and EUR6.5 million for the breach of obligations under the first supplemental contract of the In-Service Support for two (2) units of Prime Minister Class for the Royal Malaysian Navy Submarines Contract (Extended ISS Contract).

On 13 April 2021, MINDEF had issued a notice to BDNC to set off the LD claims in full against the future progress billing issued by BDNC to MINDEF.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 34. CONTINGENT LIABILITIES (CONT'D.)

#### (b) Liquidated Ascertained Damages (cont'd)

BDNC is of the opinion that the provisions for the LD are sufficient and no further losses expected to be incurred after taking into consideration appropriate justifications and supporting documents.

To date, BDNC is still in the midst of negotiating and finalising the payment plan for the LD claims.

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 since the previous financial year.

### 35. SIGNIFICANT EVENT

- (a) The COVID-19 pandemic will continue to pose challenges to the financial performance and operations of the Group, with the movement and social restrictions necessitated by the pandemic curtailing economic activities. Nevertheless, the Group has in place, the measures to mitigate the impact of the pandemic and sustain its businesses.

A group-wide cost reduction measures will continue to be championed to minimise the financial impact of the pandemic to the Group, among others, deferment and suspension of non-essential expenditure and optimal inventory management. Business continuity plan has been implemented, prioritising the well being of the employees and other stakeholders. The Group has also reformed its communication medium by encouraging virtual meeting and messaging, as well as data and information sharing.

During the second half of 2020, the Government of Malaysia has eased certain restrictions previously imposed in mid-March 2020. The Group, since then has reopened all of its operations with strict health and safety protocols consistent with the government's guidelines.

The prospect of recovery has brightened with the roll-out mass vaccination programmes in Malaysia and globally. Bearing any mishaps in vaccination progress, the Group is cautiously optimistic that its operations will be back to normal soon.

- (b) On 16 December 2011, BNS, an associate of BHIC received a letter of award from the Government of Malaysia ("GOM") to design, construct, equip, install, commission, integrate, test and trials and deliver 6 units of LCS with combatant capabilities for Royal Malaysian Navy ("RMN") at a ceiling price of RM9.0 billion. The formal contract with GOM was signed on 17 July 2014.

In 2019, the Minister of Defence at that time made a statement in the Parliament on the delay in delivering the LCS. It was announced that BNS has requested a variation order to complete the project. Subsequently, series of discussions and negotiations were held between GOM and BNS. Based on the progress of these deliberations, as at 31 December 2020, the Group is of the view that a satisfactory resolution will be reached with GOM.

On 3 March 2021, the Group had submitted a formal proposal on the way forward in relation to the building and maintenance of the LCS. Subsequently, on 5 May 2021, the LCS project was discussed and deliberated in the cabinet meeting. Based on the press announcement made by Ministry of Defence on 7 May 2021, GOM has agreed that the Group will resume and continue with the LCS project with conditions to be complied by the Group. It was mentioned that the GOM's decision has taken into consideration the interest of employees, vendors, suppliers, LTAT's beneficiaries and bankers.

The formal communication on the details and specifics of the approval granted has yet to be received by the Group at the date of these accounts given delays caused by festive holidays and COVID-19 pandemic. However, we expect to receive the official details in due course.

Several group companies act as vendors to BNS in respect of the LCS project. As at 31 December 2020, the amount owing by BNS to various group companies stood at RM272,675,000 against which an allowance for expected credit losses of RM18,500,000 has been made. Based on the recent developments as mentioned above, the Group is of the opinion that the allowance of ECL of RM29,878,000 is sufficient and no further allowance of ECL is required to be made in the Group for amounts due from BNS.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 36. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Interest income</b>				
Subsidiaries	-	-	2,382	2,424
Government-related financial institutions	265	213	39	31
Joint ventures	57	47	-	-
Associates	2	3	-	-
<b>Dividend income</b>				
Joint ventures (Note 18)	3,677	2,626	-	-
<b>Sales of goods/Rendering of services</b>				
Associates	86,664	106,409	-	-
Joint venture	50,291	42,918	-	-
<b>Purchases of goods/Rendering of services</b>				
Immediate holding company	(599)	(1,087)	(559)	(666)
Related companies	(363)	(872)	(21)	(81)
Joint ventures	-	(351)	-	-
Associates	(1,971)	(2,151)	-	-
<b>Management fees</b>				
Joint ventures	304	301	-	-
Associates	48	273	-	-
<b>Rental income</b>				
Joint venture	3,347	3,347	-	-
<b>Interest expense paid to:</b>				
Subsidiaries	-	-	(182)	(165)
Joint ventures	(6)	(47)	(6)	(46)
Government-related financial institutions	(13,017)	(14,093)	(12,431)	(13,227)

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 2020 are disclosed in Notes 21 and 28.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 36. RELATED PARTY DISCLOSURES

## (b) Compensation of key management personnel

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	2,699	6,120	600	431
Defined contribution plan	350	704	77	33
Others	3,422	1,158	1,704	920
	6,471	7,982	2,381	1,384
Included in the total key management personnel are:				
Directors' remuneration (Note 9)	-	220	-	185

## (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 ("GOM") 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 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 2014. Further details as disclosed in Note 35(b).
- 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. Kementerian Dalam Negeri has agreed to extend the contract for another year from 1 July 2020 to 30 June 2021 at a ceiling contract value of RM70.74 million.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

### 36. Related party disclosures (cont'd.)

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

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

- 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 12 August 2020, BHICAS received an LOA for the extension of this contract until 31 March 2023 with an additional contract value of RM113.2 million.
- 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 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 20 June 2019, BNS, an associate of the Group, accepted a Letter dated 14 June 2019 from the Ministry of Defence Malaysia for the Refit works on KD TERENGGANU at a contract value of RM96.0 million.
- On 19 April 2016, BDNC, a joint venture of the Group, signed an agreement with the 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 EUR 169.9 million and RM432.4 million (inclusive of Goods and Services Tax), effective from 1 November 2015.
- 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.
- On 28 March 2019, 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 Royal Malaysian Navy's Prime Minister Class Submarine amounting to RM150.0 million for a contract period of 13 months from 1 December 2018.
- On 16 June 2020, BDNC, a joint venture of the Group, received a contract from MINDEF to undertake In Service Support ("ISS") for Royal Malaysian Navy's Prime Minister Class Submarine amounting to RM154.3 million for a contract period of 1 year from 1 January 2020.
- On 21 April 2021, BSES, a wholly owned subsidiary of the Group, has accepted the Letter of Acceptance dated 7 April 2021 from the Ministry of Defence Malaysia representing the GOM, awarding BSES a contract for the Submarine Facilities Upkeep for the Royal Malaysian Navy ("Contract") at a contract value of RM78.1 million for a contract period of 24 months from 1 January 2021 until 31 December 2022. A formal contract between the Government of Malaysia and BSES will be finalised and executed at a later date.

### 37. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 31 May 2021.



# SHAREHOLDINGS STATISTICS

as at 3 May 2021

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	1,020	27.21	16,454	0.01
100 - 1,000	1,095	29.22	544,787	0.22
1,001 - 10,000	1,149	30.66	5,215,358	2.10
10,001 - 100,000	398	10.62	12,033,800	4.84
100,001 - 12,422,879 (*)	84	2.24	48,882,967	19.67
12,422,880 and above (**)	2	0.05	181,764,248	73.16
<b>TOTAL</b>	<b>3,748</b>	<b>100.00</b>	<b>248,457,614</b>	<b>100.00</b>

Remark : \* – less than 5% of issued shares

\*\* – 5% and above of issued shares

## INFORMATION ON SUBSTANTIAL SHAREHOLDERS

Size of Shareholdings	No. of shares direct	%
Boustead Holdings Berhad	161,497,448	65.00
Account Non-Trading		
Lembaga Tabung Angkatan Tentera	20,266,800	8.16

## DIRECTORS SHAREHOLDINGS

Name of Directors	Direct	No. of shares %
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)	2,000	0.00
Rozi Baharudin	5,000	0.00



# LIST OF TOP 30 SHAREHOLDERS

as at 3 May 2021

	Name of shareholders	No. of shares	%
1	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	161,497,448	65.00
2	LEMBAGA TABUNG ANGKATAN TENTERA	20,266,800	8.16
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (MAYBANK 1)	5,719,634	2.30
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (NOMURA 1)	3,372,500	1.36
5	TAN HAN CHONG	3,197,000	1.29
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (ABERDEEN 1)	2,564,633	1.03
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEAN MENG SEONG (8029269)	2,000,300	0.81
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAD RAMLI BIN MOHD NOR (8029256)	2,000,000	0.80
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PERAMJEET SINGH A/L GIAN SINGH (8029243)	2,000,000	0.80
10	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN (CEB)	1,791,000	0.72
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHUA ENG HO WA'A @ CHUA ENG WAH	1,679,200	0.68
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NORAZLAN BIN MOHAMAD NORDIN (CEB)	1,175,000	0.47
13	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)	1,100,000	0.44
14	LIEW CHEE CHEONG	1,000,000	0.40
15	WONG AH TIM @ ONG AH TIN	1,000,000	0.40
16	LIEW SIEW LAN	975,900	0.39

Name of shareholders	No. of shares	%
17 B & A FAMILY HOLDINGS SDN BHD	900,000	0.36
18 CHOW KWAI KENG	857,900	0.35
19 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHE LODIN BIN WOK KAMARUDDIN (8029271)	846,000	0.34
20 HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	810,000	0.33
21 TAN CHING LING	572,400	0.23
22 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOK BENG (E-BMM)	570,000	0.23
23 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MONINDAR KAUR A/P HARCHARAN SINGH (8037133)	424,000	0.17
24 LOOI TEIK AUN	400,900	0.16
25 JULIAN JAMES ARMSTRONG	400,000	0.16
26 TAN LEE HWA	390,000	0.16
27 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM LEONG THUN (E-SS2)	388,600	0.16
28 KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAI MOO CHAN	386,100	0.16
29 MAVIS TAN KENG MUN	383,000	0.15
30 ONG TONG PHENG @ ENG AH TOON	376,000	0.15
<b>TOTAL</b>	<b>219,044,315</b>	<b>88.16</b>



## LIST OF PROPERTIES

Location	Description	Areas	Tenure	Age	Net Book Value RM'000
<b>LAND</b>					
Pajakan Negeri No. 649 Lot No. 3222 Mukim 13 Daerah Timur Laut Pulau Pinang	Shipyard	20.21 acres	Leasehold expiring on 24/01/2072	49 Years	13,575
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	49 Years	1,378
HS(D) 16204, PT8711 Mukim Lumut Daerah Manjung, Perak	Marine industry land	76.0 acres	Leasehold expiring on 18/10/2099	20 Years	–
HSM 3558 Lot No. 20238 Mukim 13 Daerah Timur Laut Pulau Pinang	Building	0.8 acre	Leasehold expiring on 15/11/2073	7 Years	–
<b>INVESTMENT PROPERTY</b>					
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	8 Years	11,503

**Note:**

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 49<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty-Ninth Annual General Meeting of the Company will be held on a fully virtual basis through live streaming via remote participation and electronic voting (collectively referred hereinafter as Virtual AGM) on Wednesday, 23 June 2021 at 9.30 a.m. The Broadcast Venue for the Virtual AGM will be at Royale Chulan Kuala Lumpur, 5, Jalan Conlay, Kuala Lumpur, 50450 Kuala Lumpur Malaysia. The Virtual AGM will be conducted for the purpose of considering and if thought fit, passing the following resolutions:

## ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2020 and the Directors' Report and Auditors' Report thereon. **(Please refer to Note 1)**
2. To re-elect the following Directors who retire in accordance with Article 107 of the Company's Constitution and who being eligible, offer themselves for re-election:-
  - (a) Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired) **Ordinary Resolution 1**
  - (b) Tan Sri Dato' Wira Aziah Ali **Ordinary Resolution 2**
  - (c) Dato' Maznah Abdul Jalil **Ordinary Resolution 3**
3. To re-elect the following Directors, who were appointed as Directors after last year's Annual General Meeting (AGM) and retire in accordance with Article 100 of the Company's Constitution and who being eligible, offer themselves for re-election:-
  - (a) Datuk Norliza Abdul Rahim **Ordinary Resolution 4**
  - (b) Dato' Sri Mohammed Shazalli Ramly **Ordinary Resolution 5**
  - (c) Fahmy Ismail **Ordinary Resolution 6**
4. To approve the payment of Directors' fees, Directors' benefits and meeting allowances to the Directors of the Company for the period from 24 June 2021 until the conclusion of the next AGM. **Ordinary Resolution 7**
5. To re-appoint Messrs. Ernst & Young PLT, having consented to act as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Board of Directors to determine their remuneration. **Ordinary Resolution 8**

## SPECIAL BUSINESS

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

### (A) AUTHORITY TO ALLOT SHARES

**"THAT** subject always to the Companies Act 2016 ("Act") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to the Act, to allot shares in the Company at any time until the conclusion of the next AGM 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 to be issued pursuant to this Resolution does not exceed 20% of the total number of issued shares 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. **Ordinary Resolution 9**

**AND THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next AGM."





## NOTICE OF 49<sup>TH</sup> ANNUAL GENERAL MEETING

### **B) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

- (i) **"THAT** subject to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and are hereby given for the renewal of the mandate granted by the shareholders of the Company on 21 July 2020, authorising the Company and its subsidiaries ("Group") to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties as specified in Section 2.3 of the Circular to Shareholders dated 31 May 2021, PROVIDED THAT such transactions are necessary for the day to day operations and/or in the ordinary course of business of the Group and at arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. **Ordinary Resolution 10**
- (ii) **THAT** such approval shall continue to be in force until:
- (a) the conclusion of the next AGM of the Company following the general meeting at which time it will lapse, unless by a resolution passed at the said AGM, the authority conferred by this resolution is renewed;
  - (b) the expiration of the period within which the next AGM of the Company after the date it 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
  - (c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;
- whichever is earlier.
- (iii) **AND THAT** the Directors of the Company and its subsidiaries be and are hereby authorised to complete and do all such acts and things (as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate as authorised by this Resolution."

7. To transact any other business of which due notice shall be given in accordance with Companies Act 2016 and the Company's Constitution.

By Order of the Board

**ROZANA ISMAIL**

**(LS 0008847)**

**SSM Practicing Certificate No: 201908003365**

**SUZANA SANUDIN**

**(LS 0008028)**

**SSM Practicing Certificate No: 201908002589**

Company Secretaries

Kuala Lumpur

31 May 2021

## EXPLANATORY NOTES ON ORDINARY BUSINESSES

### 1. Note 1 – Audited Financial Statements

The Audited Financial Statements laid at this meeting is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 (“Act”) does not require the Audited Financial Statements to be formally approved by the shareholders. Hence, this matter will not be put forward for voting.

### 2. Resolutions 1, 2 and 3– Proposed Re-election of Directors in accordance with Article 107 of the Company's Constitution

Article 107 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.

All Directors standing for re-election as Directors and being eligible, have offered themselves for re-election at the 49<sup>th</sup> AGM of the Company.

The following Directors are standing for re-election pursuant to Article 107 of the Company's Constitution.

- (a) Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)
- (b) Tan Sri Dato' Wira Aziah Ali
- (c) Dato' Maznah Abdul Jalil

The Board and the Nominating and Remuneration Committee (“NRC”) have considered the performance and contribution of each Director and as such, the Board recommended for their re-election on the Board of the Company.

The profiles of the abovenamed Directors are stated in the Directors Profile of the Annual Report.

### 3. Resolutions 4, 5 and 6– Proposed Re-election of Directors in accordance with Article 100 of the Company's Constitution

Article 100 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.

All Directors standing for re-election as Directors and being eligible, have offered themselves for re-election.

The following directors are standing for re-election pursuant to Article 100 of the Company's Constitution.

- (a) Datuk Norliza Abdul Rahim
- (b) Dato' Sri Mohammed Shazalli Ramly
- (c) Fahmy Ismail

The profiles of the abovenamed Directors are stated in the Directors Profile of the Annual Report.

### 4. Resolution 7 – Directors' Remuneration

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

In this respect, the Board had agreed that the shareholders' approval shall be sought at the Company's 49<sup>th</sup> AGM on the Directors' remuneration for the period from 24 June 2021 until the conclusion of the next AGM of the Company.

As regards the Directors' fee for its subsidiaries, approval will be sought at the respective companies' members' meeting and will not be consolidated at the Company's level.



## NOTICE OF 49<sup>TH</sup> ANNUAL GENERAL MEETING

### (a) Boustead Heavy Industries Corporation Berhad

		<b>Directors' Fees (annual) (RM)</b>	<b>Meeting Allowance (per meeting) (RM)</b>	<b>Benefits in kind</b>
Board of Directors	Chairman	90,000	2,000	<ul style="list-style-type: none"> <li>Company car (including petrol and toll charges) and a driver.</li> <li>Group Hospitalisation Plan 1 with premium cost RM1,372.92 per year.</li> <li>Outpatient limits and Dental be capped at RM6,500 per year. Entitlement for self only</li> </ul>
	Non-Executive Director	75,000	1,000	Nil
Audit Committee	Chairman	35,000	1,500	Nil
	Member	25,000	1,000	Nil
Other Board Committees	Chairman	5,000	1,500	Nil
	Member	3,000	1,000	Nil

### (b) Subsidiaries of Boustead Heavy Industries Corporation Berhad

		<b>Directors' Fees (annual) (RM)</b>	<b>Meeting Allowance (per meeting) (RM)</b>
Board of Directors	Chairman	48,000	1,500
	Member	36,000	1,000

### 5. Resolution 8– Re-appointment of Auditors

The Board and Audit Committee have assessed the performance of Messrs. Ernst & Young PLT ("EY") and are satisfied with the quality of service rendered and the competency, independency, professionalism and sufficiency of resources provided to the Company. The Board at its meeting held on 28 May 2021 agreed to recommend to the shareholders of the Company to approve the re-appointment of EY as the Company's external auditors for the financial year 2021.

### 6. Resolution 9 – Authority for Directors to Allot Shares

The Proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company, from the date of the above AGM until the next AGM to allot not more than 20% of the total number of issued shares of the Company (excluding treasury Shares) ("**20% General Mandate**"). The 20% General Mandate is pursuant to directive letter from Bursa Securities dated 16 April 2020 in relation to a temporary relief measures in view of the trying and challenging times due to the COVID-19

pandemic for listed issuer to seek a higher general mandate of not more than 20% of the total number of issued shares (excluding treasury shares) instead of 10%. The 20% general mandate, if approved by the shareholders, can be utilised by the Company to issue new securities until 31 December 2021. After that, the 10% limit under paragraph 6.13(1) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements will be reinstated.

The Board is of the opinion that the 20% General Mandate is in the best interest of the Company and its shareholders due to unprecedented challenges from the COVID-19 impact, and will enable the Company to raise higher fund more speedily during this challenging period to ensure sustainability of the Company's existing activities as well as giving flexibility to the Company for any possible fund raising activities for future business expansion and investment activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, repayment of bank borrowing and/or acquisitions.

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

As at the date of this Notice, no new shares were issued pursuant to the authority granted to the Directors at the 48<sup>th</sup> AGM held on 21 July 2020, the mandate of which will lapse at the conclusion of the 49<sup>th</sup> AGM to be held on 23 June 2021.

## 7. Resolution 10– Recurrent Related Party Transactions

Ordinary Resolution 10, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties as specified in Section 2.3 of the Circular to Shareholders dated 31 May 2021 PROVIDED THAT such transactions are necessary for the day to day operations and/or in the ordinary course of business of the Group and at arm's length basis and 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.

### Notes:

1. As part of the Company's initiatives to curb the spread of COVID-19, the 49<sup>th</sup> AGM will be conducted on a **fully virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV) facilities. Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at <https://tiih.online>. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.

Shareholders are to participate (including posing questions to the Board via real time submission of typed texts) and vote remotely at the 49<sup>th</sup> AGM via the RPV provided by Tricor via its TIIH Online website at <https://tiih.online>.

2. Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue and Section 327(1) of the Companies Act 2016 allow a general meeting to be held at more than (1) venue using any technology or method that enables the Members of the Company to participate and exercise their rights to speak and vote at the general meeting. No shareholders/proxy(ies)/corporate representatives from the public to be physically present at or admitted to the RPV on the day of the meeting.
3. For the purpose of determining who shall be entitled to participate in the 49<sup>th</sup> AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the Record of Depositors as at 17 June 2021. Only members registered in the Record of Depositors shall be entitled to participate
4. A member of the Company entitled to participate in the AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
5. A member of the Company entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate at the AGM via RPV. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.



## NOTICE OF 49<sup>TH</sup> ANNUAL GENERAL MEETING

6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. 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 (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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. A member who has appointed a proxy or attorney or authorised representative to participate, speak and vote at the AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tiih.online>. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.
9. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:
  - (i) In hard copy form  
In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than Monday, 21 June 2021 at 9.30 a.m.
  - (ii) By electronic form  
The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tiih.online>. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of proxy form via TIIH Online.
10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
11. For a corporate member who has appointed a representative, please deposit the original certificate of appointment with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:
  - (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
  - (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    - (a) at least two (2) authorised officers, of whom one shall be a director; or
    - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of the 49<sup>th</sup> AGM will be put to the vote by poll.



# ADMINISTRATIVE NOTES

for the 49<sup>th</sup> Annual General Meeting of  
Boustead Heavy Industries Corporation Berhad

Date

**Wednesday, 23 June 2021**

Time

**9.30 a.m.**

Broadcast Venue

**Royale Chulan Kuala Lumpur  
5 Jalan Conlay  
50450 Kuala Lumpur**

## MODE OF MEETING

In view of the COVID-19 pandemic outbreak and as part of the safety measures, the 49<sup>th</sup> Annual General Meeting of Boustead Heavy Industries Corporation Berhad (49<sup>th</sup> AGM) will be conducted on **a fully virtual basis through live streaming and online remote voting** via Remote Participation and Voting (RPV) facilities. Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's (Tricor) TIIH Online website at <https://tiih.online>. This is in line with the Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, 19 February 2021, 5 March 2021 including any amendment that made from time to time.

Please note that the Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue and Section 327(1) of the Companies Act 2016 allow a general meeting to be held at more than (1) venue using any technology or method that enables the Members of the Company to participate and exercise their rights to speak and vote at the general meeting. No shareholders/proxy(ies)/corporate representatives from the public to be physically present at or admitted to the RPV on the day of the meeting.

### Remote Participation and Voting

Shareholders are to participate (including posing questions to the Board via real time submission of typed texts) and vote remotely at the 49<sup>th</sup> AGM using RPV provided by Tricor via its TIIH Online website at <https://tiih.online>.

Shareholders who appoint proxies to participate via RPV in the 49<sup>th</sup> AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than Monday, 21 June 2021 at 9.30 a.m.

Corporate representatives of corporate members must deposit their original certificate of appointment of corporate representative to Tricor not later than Monday, 21 June 2021 at 9.30 a.m. to participate via RPV in the 49<sup>th</sup> AGM. Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor not later than Monday, 21 June 2021 at 9.30 a.m to participate via RPV in the 49<sup>th</sup> AGM.

A shareholder who has appointed a proxy or attorney or authorised representative to participate at the 49<sup>th</sup> AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tiih.online>.

**As the 49<sup>th</sup> AGM is a virtual Meeting, members who are unable to participate in the Meeting may appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.**



## ADMINISTRATIVE NOTES

for the 49<sup>th</sup> Annual General Meeting of Boustead Heavy Industries Corporation Berhad

### Procedures to Remote Participation and Voting via RPV Facilities

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 49<sup>th</sup> AGM using the RPV facilities:

Procedure	Action
<b>Before The AGM Day</b>	
(a) Register as a user with TIIH Online	<ul style="list-style-type: none"> <li>Using your computer, access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services", select the "Sign Up" button and followed by "<b>Create Account by Individual Holder</b>". Refer to the tutorial guide posted on the homepage for assistance.</li> <li>Registration as a user will be approved within one (1) working day and you will be notified via e-mail.</li> <li>If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.</li> </ul>
(b) Submit your request to attend AGM remotely	<ul style="list-style-type: none"> <li>Registration is open from 31 May 2021 until the day of the AGM on Wednesday, 23 June 2021. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the AGM to ascertain their eligibility to participate the AGM using the RPV.</li> <li>Login with your user ID and password and select the corporate event: <b>(Registration) Boustead Heavy Industries Corporation Berhad 49<sup>th</sup> AGM.</b></li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select "Register for Remote Participation and Voting"</li> <li>Review your registration and proceed to register.</li> <li>System will send an e-mail to notify that your registration for remote participation is received and will be verified.</li> <li>After verification of your registration against the Record of Depositors as at 17 June 2021, the system will send you an e-mail on or <b>after 21 June 2021 to approve or reject</b> your registration for remote participation. (Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).</li> </ul>
<b>On The Day of The Agm</b>	
(c) Login to TIIH Online	<ul style="list-style-type: none"> <li>Login with your user ID and password for remote participation at the 49<sup>th</sup> AGM at any time from 8.30 a.m. i.e. 1 hour before the commencement of meeting at 9.30 a.m. on Wednesday, 23 June 2021.</li> </ul>
(d) Participate through Live Streaming	<ul style="list-style-type: none"> <li>Select the corporate event: <b>(Live Streaming Meeting) Boustead Heavy Industries Corporation Berhad 49<sup>th</sup> AGM</b> to engage in the proceedings of the AGM remotely.</li> <li>If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.</li> </ul>
(e) Online Remote Voting	<ul style="list-style-type: none"> <li>Voting session commences from 9.30 a.m., Wednesday, 23 June 2021 until a time when the Chairman announces the completion of the voting session at the 49<sup>th</sup> AGM.</li> <li>Select the corporate event: <b>(Remote Voting) Boustead Heavy Industries Corporation Berhad 49<sup>th</sup> AGM.</b></li> <li>Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>Select the CDS account that represents your shareholdings.</li> <li>Indicate your votes for the resolutions that are tabled for voting.</li> <li>Confirm and submit your votes.</li> </ul>
(f) End of remote participation	<ul style="list-style-type: none"> <li>Upon the announcement by the Chairman on the conclusion of the AGM, the Live Streaming will end.</li> </ul>

**Note to users of the RPV facilities:**

1. We will make available to you the rights to join the live streamed meeting and to vote remotely once your application to join the meeting is approved. Your login to TIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to [tiih.online@my.tricorglobal.com](mailto:tiih.online@my.tricorglobal.com) for assistance.

**ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY**

- Only members whose names appear on the Record of Depositors as at 17 June 2021 shall be eligible to attend, speak and vote at the AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.
- In view that the AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
- If you wish to participate in the AGM yourself, please do not submit any Form of Proxy for the AGM. You will not be allowed to participate in the AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than Monday, 21 June 2021 at 9.30 a.m:

## (i) In hard copy:

By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd 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;

## (ii) By electronic form:

All shareholders can have the option to submit proxy forms electronically via TIH Online and the steps to submit are summarised below:

Procedure	Action
<b>i. Steps for Individual Shareholders</b>	
Register as a User with TIH Online	<ul style="list-style-type: none"> <li>• Using your computer, please access the website at <a href="https://tiih.online">https://tiih.online</a>. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance.</li> <li>• If you are already a user with TIH Online, you are not required to register again.</li> </ul>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> <li>• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password.</li> <li>• Select the corporate event: <b>"Boustead Heavy Industries Corporation Berhad 49<sup>th</sup> AGM – Submission of Proxy Form"</b>.</li> <li>• Read and agree to the Terms and Conditions and confirm the Declaration.</li> <li>• Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf.</li> <li>• Appoint your proxy(s) and insert the required details of your proxy(s) or appoint the Chairman as your proxy.</li> <li>• Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes.</li> <li>• Review and confirm your proxy(s) appointment.</li> <li>• Print the form of proxy for your record.</li> </ul>



## ADMINISTRATIVE NOTES

for the 49<sup>th</sup> Annual General Meeting of Boustead Heavy Industries Corporation Berhad

### ii. Steps for Corporation or Institutional Shareholders

Register as a User with TIIH Online	<ul style="list-style-type: none"> <li>• Access TIIH Online at <a href="https://tiih.online">https://tiih.online</a>.</li> <li>• Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects the "Sign Up" button and followed by <b>"Create Account by Representative of Corporate Holder"</b>.</li> <li>• Complete the registration form and upload the required documents.</li> <li>• Registration will be verified, and you will be notified by email within one (1) to two (2) working days.</li> <li>• Proceed to activate your account with the temporary password given in the email and re-set your own password.</li> </ul> <p><i>(Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.)</i></p>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> <li>• Login to TIIH Online at <a href="https://tiih.online">https://tiih.online</a>.</li> <li>• Select the corporate exercise name: <b>"Boustead Heavy Industries Corporation Berhad 49<sup>th</sup> AGM – Submission of Proxy Form"</b>.</li> <li>• Agree to the Terms &amp; Conditions and Declaration.</li> <li>• Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein.</li> <li>• Prepare the file for the appointment of proxies by inserting the required data.</li> <li>• Login to TIIH Online, select corporate exercise name: <b>"Boustead Heavy Industries Corporation Berhad 49<sup>th</sup> AGM – Submission of Proxy Form"</b>.</li> <li>• Proceed to upload the duly completed proxy appointment file.</li> <li>• Select "Submit" to complete your submission.</li> <li>• Print the confirmation report of your submission for your record.</li> </ul>

### Pre-Meeting Submission of Questions to the Board of Directors

- In order to enhance the efficiency of the proceedings of the 49<sup>th</sup> AGM, shareholders may in advance, before the AGM, submit questions to the Board of Directors via Tricor's TIIH Online website at <https://tiih.online>, by selecting "e-Services" to login, post your questions and submit it electronically no later than 9.30 a.m. 21 June 2021. The Board of Directors will endeavour to address the questions received at the 49<sup>th</sup> AGM.

### No Breakfast/Lunch Pack, Door Gift or Food Voucher

- There will be no distribution of breakfast/lunch packs, door gifts or food vouchers during the AGM since the meeting is being conducted on a virtual basis.

### Annual Report

- The Annual Report is available on the Company's website at [www.bhic.com.my](http://www.bhic.com.my) and Bursa Malaysia's website at [www.bursamalaysia.com](http://www.bursamalaysia.com) under Company's announcements.
- You may request for a printed copy of the Annual Report at <https://tiih.online> by selecting "Request for Annual Report" under the "Investor Services".
- Kindly consider the environment before you decide to request for the printed copy of the Annual Report. The environmental concerns like global warming, deforestation, climate change and many more affects every human, animal and nation on this planet.

Boustead Heavy Industries Corporation Berhad thank all its shareholders for their kind co-operation and understanding in these challenging times.

### Enquiry

If you have any enquiries on the above, please contact our Share Registrar during office hours on Mondays to Fridays from 8.30 a.m. to 5.30 p.m. (except on public holidays):

### Tricor Investor & Issuing House Services Sdn Bhd

General Line : +603-2783 9299  
 Fax Number : +603-2783 9222  
 Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)



# PROXY FORM

## Boustead Heavy Industries Corporation Berhad

A member of Boustead Group

197101000758 (11106-V)

I/We \_\_\_\_\_ NRIC (New)/Company No.: \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member of **BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD**, hereby appoint

\* \_\_\_\_\_ NRIC (New) No.: \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

of \_\_\_\_\_  
(FULL ADDRESS)

and \_\_\_\_\_ NRIC (New) No.: \_\_\_\_\_  
(INSERT FULL NAME IN BLOCK CAPITAL)

\_\_\_\_\_  
(FULL ADDRESS)

\*or failing him/her, the Chairman of the Meeting as my proxy to attend and vote for me on my behalf, at the 49<sup>th</sup> Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur on Wednesday, 23 June 2021 at 9.30 a.m. or any adjournment thereof, to vote as indicated below:

No.	AGENDA			
1	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2020 and the Directors' Report and Auditors' Report thereon			
ORDINARY BUSINESS		RESOLUTION	FOR	AGAINST
Re-election of the following Directors who retire in accordance with Article 107 of the Constitution of the Company				
2	Re-election of Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired)	Ordinary Resolution 1		
3	Re-election of Tan Sri Dato' Wira Aziah Ali	Ordinary Resolution 2		
4	Re-election of Dato' Maznah Abdul Jalil	Ordinary Resolution 3		
Re-election of the following Directors who retire in accordance with Article 100 of the Constitution of the Company				
5	Re-election of Datuk Norliza Abdul Rahim	Ordinary Resolution 4		
6	Re-election of Dato' Sri Mohammed Shazalli Ramly	Ordinary Resolution 5		
7	Re-election of Fahmy Ismail	Ordinary Resolution 6		
ORDINARY BUSINESS				
8	Approval of Directors' fees, meeting allowances and other benefits from 24 June 2021 until the conclusion of the next AGM	Ordinary Resolution 7		
9	Re-appointment of Messrs. Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration	Ordinary Resolution 8		
SPECIAL BUSINESS				
10	Approval for Directors to allot and issue shares	Ordinary Resolution 9		
11	Approval for Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature	Ordinary Resolution 10		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

Signature(s) of Shareholder(s) or Common Seal

No. of ordinary shares held:

CDS account no. of authorised nominee:

Proportion of shareholdings to be represented by proxies	First Proxy:	%
	Second Proxy:	%

Contact No.:



**Notes:**

1. As part of the initiatives to curb the spread of COVID-19, the AGM will be conducted **on a virtual basis through live streaming whilst the online remote voting** will be via Remote Participation and Voting (RPV). Both facilities are available on Tricor Investor & Issuing House Services Sdn Bhd's TIH Online website at <https://tiah.online>. Please follow the procedures provided in the Administrative Notes for the AGM in order to register, participate and vote remotely via the RPV facilities.
2. The venue of the AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No Shareholders/proxy(ies) from the public will be physically present at the meeting venue on the day of the meeting.
3. For the purpose of determining a member who shall be entitled to participate in the 49<sup>th</sup> AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, the Record of Depositors as at 17 June 2021. Only depositors whose name appears on the Record of Depositors as at 17 June 2021 shall be entitled to participate in the AGM via RPV.
4. A member of the Company entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
5. A member of the Company entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

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6. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (Central Depositories Act), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. 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 (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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:
  - (i) In hard copy form  
In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, no later than Monday, 21 June 2021 at 9.30 a.m.
  - (ii) By electronic form  
The proxy form can be electronically lodged with the Share Registrar of the Company via TIH Online at <https://tiah.online>. Kindly refer to the Administrative Notes on the procedures for electronic lodgement of proxy form via TIH Online.

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**Share Registrar of Boustead Heavy Industries Corporation Berhad**

Tricor Investor & Issuing House Services Sdn Bhd 197101000970 (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3, Bangsar South

No. 8 Jalan Kerinchi

59200 Kuala Lumpur

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[www.bhic.com.my](http://www.bhic.com.my)

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**BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD**

Co. Reg. No. 197101000758 (11106-V)

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