

# Reinventing for A Sustainable Future

INTEGRATED REPORT 2021



**Boustead Heavy Industries  
Corporation Berhad**

(A member of Boustead Group)

# ABOUT THIS REPORT

## INTEGRATED REPORTING APPROACH

As part of the Boustead Group's Reinventing Boustead strategy, Boustead Heavy Industries Corporation Berhad (BHIC) is also reinventing our reporting process. As of this year, we will be presenting our financial and non-financial performance in an integrated reporting format as we believe this approach enables all our stakeholders to obtain a clearer idea of what we do, our values, the risks and opportunities we face and how these translate into our strategies.

For greater ease of navigation, icons and links are used in this report. Our ultimate objective is to articulate how we seek to create short, mid and long term value in our activities.

## SCOPE AND BOUNDARY OF REPORTING

The contents in this report are based on activities, initiatives and key events that took place during the financial year 2021, beginning 1 January and ending 31 December 2021, unless otherwise stated. Guided by the Malaysian Financial Reporting Standards (MFRS), the report covers all companies within the BHIC Group in which we have a majority shareholding and substantial influence.

## MATERIALITY

This report focuses on matters that are material to us in creating value and in delivering on our core business purpose, as determined by our Board of Directors, in consultation with the Management. In identifying these material issues, internal and external factors, the needs, expectations and concerns of our stakeholders, as well as BHIC's strategy were taken into account.

## ASSURANCE

The contents of the entire report have been read and approved by the Board of Directors. Additionally, the accuracy of all financial information have been assured by our external auditors, Messrs. Ernst & Young PLT.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors acknowledges responsibility for ensuring the integrity of BHIC's Integrated Report 2021. In our opinion, the report presents a fair assessment of the Group's performance and addresses all key matters that are material to our ability to create value. This report was approved by the Board on 26 April 2022.



**DATO' MAZNAH ABDUL JALIL**

*Non-Independent*

*Non-Executive Director*



**(DR.) SALIHIN ABANG**

*Independent*







*Non-Executive Director*

## FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements relating to our future performance. Such statements are premised on current assumptions and circumstances which could change, hence they necessarily involve uncertainty. Various factors could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

## NAVIGATION ICONS

### Our Key Resources

-  Financial Capital
-  Manufactured Capital
-  Intellectual Capital
-  Human Capital
-  Social & Relationship Capital
-  Natural Capital

### Material Matters

-  Good Corporate Governance and Integrity
-  Products and Services Quality and Customer Satisfaction
-  Economic and Financial Sustainability
-  Occupational Health and Safety
-  Employee Training, Education and Development
-  Providing Business Opportunities
-  Impact of the Pandemic
-  Labour Practices and Human Rights
-  Research and Development and Innovation
-  Waste and Water Management
-  Greenhouse Gas Emissions & Energy Management
-  Community Contributions and Development

## REPORTING FRAMEWORKS

In preparing this report, we were guided by the principles and requirements of the International Integrated Reporting Framework (IIRF) issued by the International Integrated Reporting Council (IIRC), the Main Market Listing Requirements (MMLR) of Bursa Malaysia Berhad, Malaysian Code on Corporate Governance updated as of 28 April 2021 (MCCG), issued by the Securities Commission Malaysia, the Companies Act 2016 (CA 2016), MFRS and the International Financial Reporting Standards (IFRS).

Meanwhile, the Sustainability Statement has been guided by the Global Reporting Initiative (GRI) Standards (Core), MMLR, Bursa Malaysia Index's Environmental, Social and Governance (ESG) indicators, Dow Jones Sustainability Index (DJSI), and the United Nations' Sustainable Development Goals (UN SDGs).

### INTEGRATED REPORT (IR) 2021



BHIC's Integrated Report (IR) 2021 has been produced with the primary objective of providing our stakeholders a comprehensive overview and a balanced assessment of our financial and non-financial performance.

This report informs our stakeholders of our strategy, businesses and performance, our approach to governance and risks as well as our future goals. The IR demonstrates our accountability and strengthens the trust of our stakeholders.

- MCCG 2017 issued by Securities Commission
- MMLR issued by Bursa Malaysia
- IIRF by the IIRC
- CA 2016
- MFRS
- IFRS

## CROSS REFERENCES



Tells you where you can find more information within the reports

<https://www.bhic.com.my>



You can find this report and additional information about Boustead Heavy Industries Corporation Berhad on our corporate website.

### Stakeholders



Shareholders and Investors



Customers



Employees and Workers unions



Vendors and Suppliers



Regulatory Authorities



Local Communities

### Key Risks



Financial Risk



Legal Risk



Contractual Risk



Pandemic Risk



Human Capital Management Risk

### UN SDGs



50<sup>th</sup>

## ANNUAL GENERAL MEETING

### VENUE/ONLINE PLATFORM



Broadcast Venue  
Royale Chulan Damansara



Online Platform  
TIIH Online Website at  
<https://tiih.online> with Remote  
Participation and Voting facilities

### DATE

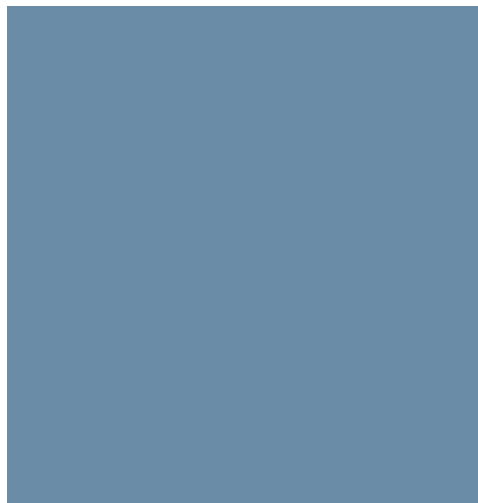
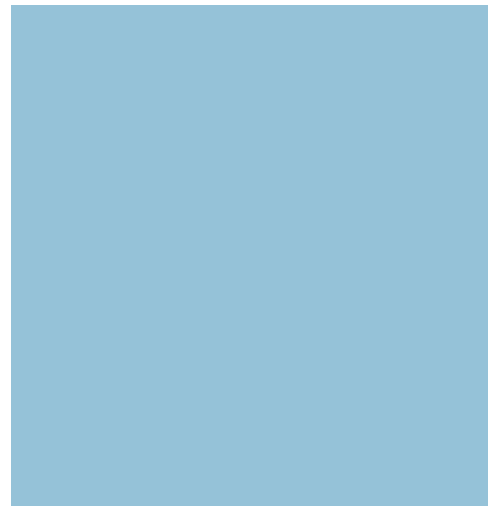


15 June 2022

### TIME



9.30 a.m.





# INSIDE THIS REPORT

## Reinventing for a Sustainable Future

BHIC strives for excellence in all we do, including in areas related to environmental, social and governance (ESG) principles. As part of our ESG efforts and to comply with Bursa Malaysia's guidelines, we have included in this report a Sustainability Statement which covers our ESG initiatives.

We remain committed to elevating our ESG efforts every way we can. It's about creating sustainable outcomes for the environment as well as helping the community and society. It's about governing our business responsibly to build long term resilience and to secure a sustainable future.

With strong fundamentals in place, we have leveraged technology driven solutions to optimise our operations and improve our existing offerings, as well as to develop new products and services.

Our commitment to sustainability is longstanding and by elevating our ESG efforts, we are well positioned to future proof the Group and maximise value for our shareholders.

## OVERVIEW OF BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD

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A soft copy of Boustead Heavy Industries Corporation Berhad (BHIC) Integrated Report 2021 is available on our website.

[www.bhic.com.my](http://www.bhic.com.my)



# SECTION

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### OVERVIEW

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# OVERVIEW OF BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD

## VISION

The leading maritime and defence solutions provider

## MISSION

To deliver products and services meeting quality, time and cost objectives to maximise stakeholders returns





## OUR CORE VALUES



Belonging



Honour



Integrity



Commitment



## WHO WE ARE

Boustead Heavy Industries Corporation Berhad is one of the leading defence contractors in Malaysia. Engaged primarily in the marine and aerospace sectors, it was listed on Bursa Malaysia Berhad in 2007. It ended the financial year 2021 with a market capitalisation of RM119.3 million, total assets of RM455.3 million and shareholders' funds at RM80.6 million. The 1,285 employees across BHIC Group are engaged mainly in the following areas:

- ✓ Shipbuilding, with speciality in naval and commercial vessels
- ✓ Ship repair including maintenance, repair and overhaul (MRO) of military, commercial and private vessels
- ✓ MRO of electronics, electrical and control systems, engines, communication equipment, weapons and combat systems
- ✓ Manufacture of aerospace components
- ✓ MRO of helicopters and submarines
- ✓ Maritime and aviation training
- ✓ Management of integrated logistics support

BHIC is a subsidiary of Boustead Holdings Berhad, a conglomerate listed on the Main Board of Bursa Securities which serves as the investment arm of the Armed Forces Funds Board (Lembaga Tabung Angkatan Tentera).

**TOTAL ASSETS** .....

**RM455.3 mil**

**REVENUE** .....

**RM149.2 mil**

**MARKET CAPITAL** .....

**RM119.3 mil**

# 2021 HIGHLIGHTS

## FINANCIAL HIGHLIGHTS



### REVENUE

**RM149.2 million**

RM145.2 million in 2020



### PROFIT/(LOSS) AFTER TAXATION

**RM15.2 million**

RM(50.6) million in 2020



### NET ASSETS PER SHARE

**32 sen**

26 sen in 2020



### SHAREHOLDERS' EQUITY

**RM80.6 million**

RM65.4 million in 2020



### EARNINGS/(LOSS) PER SHARE

**6.11 sen**

(20.36) sen in 2020



## BUSINESS HIGHLIGHTS



Completion of maintenance, repair and overhaul (**MRO**) and **Refit** works for two Royal Malaysian Navy (**RMN**) ships



Delivery of 3 units of Littoral Mission Ship (**LMS**) to **RMN**



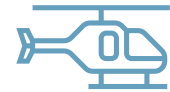
One-year contract extension valued at **RM159.1** million to provide In-Service Support (ISS) to RMN submarines



Award of contract valued at **RM78.1** million for RMN's submarine facilities upkeep

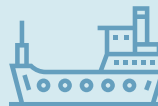


Completion of intermediate depot level maintenance check on five Royal Malaysian Air Force helicopters



One-year contract extension valued at **RM96.0** million to provide Integrated Maintenance and Logistics Support Services to Malaysia Maritime Enforcement Agency's helicopters

Completion of **MRO** works on **41** white boats, **37** ferries, and one Government vessel



**MRO** contracts awarded for four Offshore Support Vessels (OSV)



**Award of** contract to undertake MRO on RMN's Oto Melara and Bofors guns



Completion of **methanol piping** and **seawater cooling** pipe fabrication works

Successful integration of new **navigation radar with the existing Combat Management System** onboard five KEDAH class RMN ships

## 2021 HIGHLIGHTS

## SUSTAINABILITY HIGHLIGHTS

## ECONOMIC



Completed the **LMS project** in collaboration with partners in China



Introduced **Engineering Change Request (ECR)** and **Quality Control Dashboard** to undertake data analysis



Contracted out over **RM700 million** worth of **submarine MRO works** to over 150 Malaysian companies over the years



Creating business opportunities for **36 SMEs** through our **Vendor Development Programme**



Registered **2,661 vendors** of which **2,045** are local companies



Focused more on **local vendors and suppliers** to reduce dependency on **foreign vendors** while contributing to growth of the local economy



Boustead DCNS Naval Corporation Sdn Bhd signed the **Corruption-Free Pledge** and obtained the **ISO 37001:2016 Anti-Bribery Management System (ABMS)** certification



Carried out **ship maintenance, repair and overhaul (MRO) services** on naval vessels commercial ships and private vessels



Conducted **awareness programmes** on Section 17A of the MACC Act 2009, attended by Board members and employees

## ENVIRONMENTAL



**94,925 kg reduction** in volume of scrap metal discarded via recycling



Launch of **e-waste recycling initiative**



**18.1% decrease** in water consumption year on year



Scope 1 and Scope 2 GHG emissions **decreased by 27.6% and 11.8%** respectively

## AWARDS AND RECOGNITION

- 1 National Business Award 2021 – Aerospace and Defense Boustead DCNS Naval Corporation Sdn Bhd (BDNC)
- 2 Malaysia Technology Excellence Awards 2021 – In-house software development (BDNC)
- 3 Malaysian Society for Occupational Safety and Health – Gold Class 1 (BDNC)
- 4 Malaysia Management Excellence Award 2021 – Team of the Year (The Deep Green Circle (BDNC))
- 5 Malaysia Management Excellence Award 2021 – Executive of the Year (Feroz Razi Ramli, CEO, BDNC)
- 6 Commendation to BHICAS by Malaysia Maritime Enforcement Agency (MMEA) on the Integrated Maintenance and Logistics Support Services provided to its helicopters



## SOCIAL



Employee demographics  
**Male: 78%**  
**Female: 22%**



**56.6%** of employees are aged **40 years or below**



Total expenditure for training and development **RM0.5 million**



Lost time Injury (LTI) - **4 incidents**



**Zero fatalities** recorded throughout Group



**15 internal safety audits and 342 workplace inspections** conducted



Participated in vaccination programmes and provided donations to frontliners and employees affected by the **COVID-19** pandemic



Diversity  
**45% women** on Board of Directors



# WHAT WE DO

We have core businesses in the marine, aerospace and weapons and combat systems sectors serving primarily Government agencies under the Ministry of Defence (Mindef) and Ministry of Home Affairs. Our shipyards also provide a range of services to the commercial segment, namely to merchant shipowners, the oil & gas sector and to private vessel owners.

## MARINE



Business units under this sector are engaged in three principal activities, namely shipbuilding, ship repair and maintenance, repair and overhaul (MRO) services.

- We contribute to safeguarding Malaysia's maritime security by building and maintaining Royal Malaysian Navy (RMN) ships which are critical to its 15 to 5 Fleet Transformation Programme.
- Our MRO team in Boustead Naval Shipyard has a proven track record in handling all types of naval and commercial vessels.
- We are also involved in the fabrication of offshore and heavy engineering structures.
- Boustead DCNS Naval Corporation Sdn Bhd (BDNC) and BHIC Submarine Engineering Services Sdn Bhd (BSES) provide In-Service Support (ISS) and Refit works for RMN submarines.

VALUE OF SECOND  
EXTENSION OF CONTRACT TO  
PROVIDE IN-SERVICE SUPPORT  
TO RMN SUBMARINES:

**RM159.1 million**

VALUE OF CONTRACT  
FOR THE UPKEEP OF RMN  
SUBMARINE FACILITIES:

**RM78.1 million**

TOTAL VALUE OF MRO  
WORKS UNDERTAKEN  
ON GOVERNMENT AND  
COMMERCIAL VESSELS,  
LEISURE BOATS AND FERRIES  
IN 2021

**RM302.1 million**



## AEROSPACE



We are involved in the aerospace sector through the following JV companies:

- BHIC AeroServices Sdn Bhd (BHICAS), which provides MRO services for helicopters belonging to RMN, RMAF and Malaysian Maritime Enforcement Agency (MMEA).
- Airbus Helicopters Simulation Center Sdn Bhd, which provides training via flight simulators and aviation training programmes.
- Contraves Advanced Devices Sdn Bhd, which manufactures electronic products used for commercial and industrial sectors, defence and aerospace purposes.

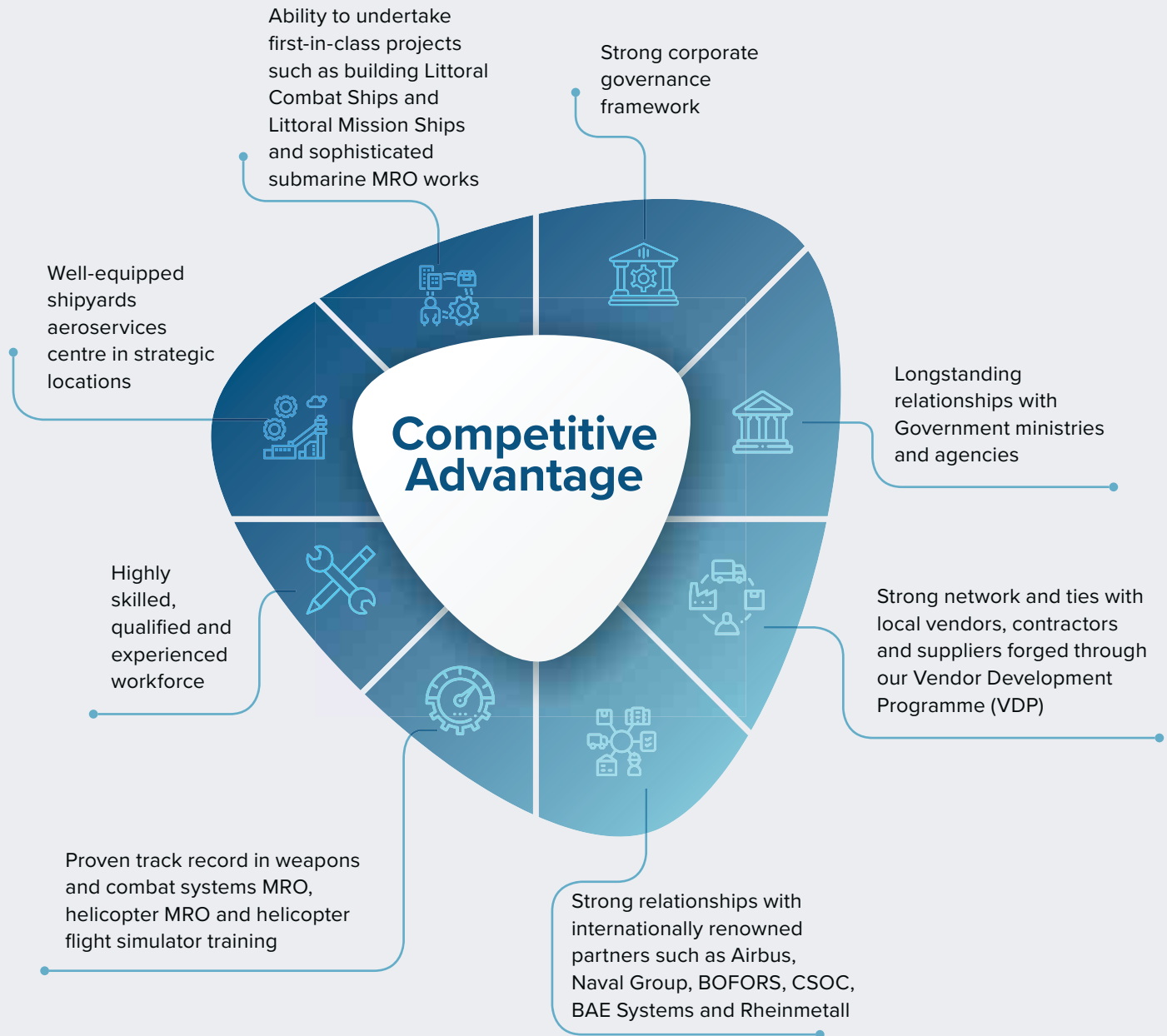
**VALUE OF CONTRACT  
EXTENSION TO  
PROVIDE INTEGRATED  
MAINTENANCE AND  
LOGISTICS SUPPORT  
SERVICES TO MMEA  
HELICOPTERS:  
RM96.0 million**

## WEAPONS AND COMBAT SYSTEMS



- BHIC Defence Techservices Sdn Bhd (BDTS) provides MRO of naval guns, and service and integrate combat systems onboard naval ships.
- BHIC Bofors Asia Sdn Bhd (BBA) provides maintenance services for Bofors guns on RMN ships.

# OUR COMPETITIVE ADVANTAGE





# GROUP STRUCTURE



# WHERE WE OPERATE



# CERTIFICATIONS



## 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



## ISO 37001:2016

- Boustead DCNS Naval Corporation Sdn Bhd

# STRATEGIC ALLIANCES | COLLABORATIONS | JVS



MINISTRY OF DEFENCE



ROYAL MALAYSIAN NAVY



ROYAL MALAYSIAN AIR FORCE



MINISTRY OF HOME AFFAIRS



CHINA SHIPBUILDING &  
OFFSHORE INTERNATIONAL CO. LTD.

**BAE SYSTEMS**



**AIRBUS**

**NAVAL  
GROUP**



**RHEINMETALL  
AUTOMOTIVE**

# CORPORATE MILESTONES

2007

- Listed on Kuala Lumpur Stock Exchange

2009

- Award of USD26.6 million contract for Living Quarters for Carigali - PTTEPI to Boustead Penang Shipyard Sdn Bhd (BPS)

2011

- Award of RM9.1 billion contract for the construction of six units of Littoral Combat Ships for RMN to Boustead Naval Shipyard Sdn Bhd (BNS)

2013

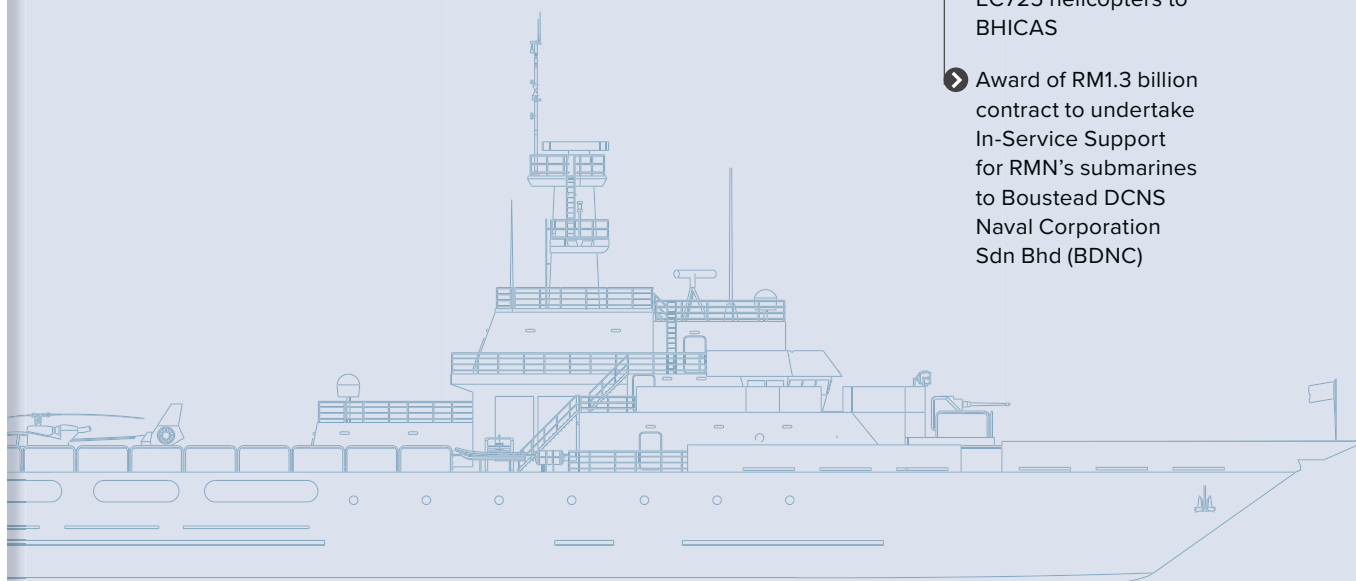
- Award of RM80.0 million construction of Sunborn Floating Hotel to BNS
- Award of USD65.0 million contract for accommodation barges to BPS
- Award of RM32.4 million contract for the In-Service Support for RMN AS555SN Fennec helicopters to BHIC AeroServices Sdn Bhd (BHICAS)
- Award of RM65.4 million contract for the Integrated Maintenance and Logistic Support Services for MMEA Dauphin AS365N3 helicopters to BHICAS

2014

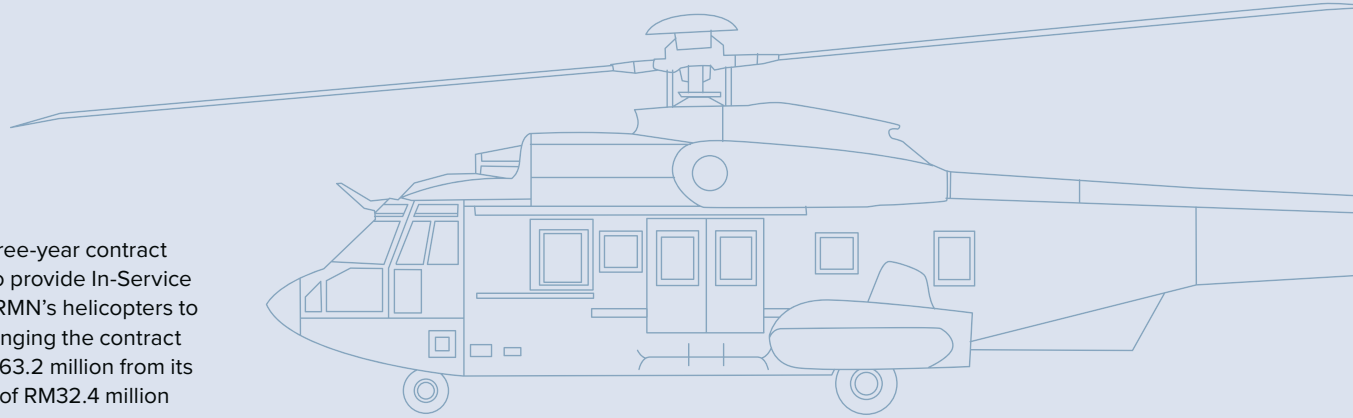
- Award of RM220.0 million contract for the maintenance and supply of spare parts for RMAF Eurocopter EC725 helicopters to BHICAS
- Award of RM1.3 billion contract to undertake In-Service Support for RMN's submarines to Boustead DCNS Naval Corporation Sdn Bhd (BDNC)

2015

- Award of dual-currency contract valued at €169.9 million and RM432.4 million to undertake Refit for RMN's Prime Minister Class Scorpene submarines to BDNC
- Award of RM115.0 million EPCC Belum topside contract for Murphy Oil Sarawak to BPS







➤ Award of three-year contract extension to provide In-Service Support to RMN's helicopters to BHICAS, bringing the contract value to RM63.2 million from its initial value of RM32.4 million

➤ Award of RM15.0 million contract for the maintenance and supply of parts for Skyguard radar and 35mm Oerlikon anti-aircraft gun used by the Malaysian Armed Forces to BHIC Defence Techservices Sdn Bhd (BDTS)

➤ Award of RM62.5 million contract for the Integrated Maintenance and Logistic Support Services for MMEA Dauphin AS365N3 helicopters to BHICAS

➤ Award of RM44.8 million contract to maintain and upgrade Combat Management System for RMN to BNS

➤ Award of three-year contract extension with an additional ceiling contract value of RM113.2 million to maintain and supply spares for RMAF EC725 helicopters via In-Service Support to BHICAS

➤ One year contract extension worth RM8.1 million for the Integrated Maintenance and Logistic Support Services for MMEA Dauphin AS365N3 helicopters to BHICAS

2016

2017

2018

2019

2020

2021

➤ Award of RM1.2 billion contract to build four units of Littoral Mission Ships (LMS) for RMN to BNS

➤ 3 years contract extension worth RM215.0 million for the In-Service Support for RMAF EC725 helicopters to BHICAS

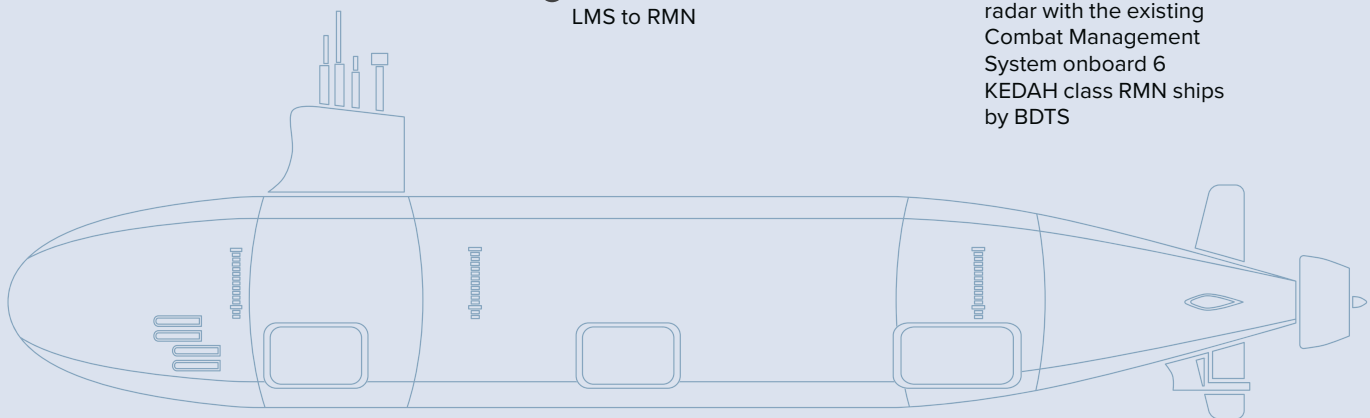
➤ Award of one-year contract extension for the provision of integrated maintenance and logistics support services of MMEA Dauphin AS365N3 helicopters worth RM62.6 million to BHICAS

➤ Delivery of 1 unit of LMS to RMN

➤ Delivery of 3 units of LMS to RMN

➤ One year contract extension worth RM25.2 million for Integrated Maintenance and Logistic Support Services for MMEA Dauphin AS365N3 helicopters to BHICAS

➤ Successful integration of new navigation radar with the existing Combat Management System onboard 6 KEDAH class RMN ships by BDTS



# SECTION

## 02

### KEY MESSAGES

Statement from the Board

022

CEO's Statement

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"

The impact of the pandemic on lives and livelihoods over the last two years has been well documented. Suffice to say that we at BHIC were not spared. However, learnings from 2020 made it easier in some ways to accommodate various restrictions and standard operating procedures in 2021. Our concerted efforts to keep our employees safe contributed to a reasonably high level of productivity and the ability to meet our various commitments during the year.

# Statement FROM THE BOARD



Over and above the pandemic, we continued to be profoundly impacted by the delay in Littoral Combat Ship (LCS) project. Since 2019, we have spared no effort to redress the situation, engaging constantly with the relevant stakeholders. This culminated in the submission of several proposals to the Government up to the end of 2021. This was followed by the announcement by Senior Minister of Defence, Dato' Seri Hishammuddin Tun Hussein, on 20 April 2022 that the Cabinet had agreed to revive the LCS project after taking into account the need to boost RMN's fleet strength to safeguard Malaysia's maritime security and the interests of the vendors involved in the project.

We had made a conscious decision to involve all relevant stakeholders in outlining the way forward with the LCS project in order to enhance transparency in the entire process. We believe that being transparent, not just in this project but in everything we do, will go a long way towards restoring the trust of our stakeholders in our ability to deliver.

The fact is, BHIC is an established player in the defence sector, and has played a key role in building the nation's defence capabilities since 2005. We have acquired a high level of expertise in naval vessels and, more recently, in aerospace – both organically and through partnerships with leading global players such as Airbus, Naval Group of France (formerly known as DCNS) and BOFORS.

With Airbus, we have formed two joint venture (JV) companies. BHIC AeroServices Sdn Bhd specialises in the maintenance, repair and overhaul (MRO) of helicopters belonging to the Royal Malaysian Air Force (RMAF), Royal Malaysian Navy (RMN) and Malaysian Maritime Enforcement Agency (MMEA). Airbus Helicopters Simulation Center Sdn Bhd provides training using flight simulators and aviation training programmes. Meanwhile, our JV with Naval Group, Boustead DCNS Naval Corporation Sdn Bhd, is entrusted to carry out Refit works and In-Service Support on RMN's Prime Minister Class Scorpene submarines.

We have been able to build these strong partnerships because of our excellent facilities and infrastructure combined with experienced, skilful personnel who are known to uphold the highest standards across our operations. Today, we recognise that it is imperative to reclaim these standards in order to further strengthen existing partnerships and build new ones, as collaboration and cooperation are essential to the long term sustainability of our operations.

Supporting these efforts, the Board of Directors has made it our mission to reinforce governance structures in BHIC and drive a culture of integrity throughout the organisation. In February 2020, we commissioned a forensic audit to determine the root causes of failings in the LCS contract, subsequent to which we have been engaging with the Malaysian Anti-Corruption Commission (MACC) to instill a culture of integrity throughout the Group. BHIC held training and awareness programmes on regulatory requirements such as Section 17A of the MACC Act 2009.

The drive to strengthen our governance framework is very much in line with the Reinventing Boustead strategy, and particularly the Boustead Hijau or BIJAU agenda which seeks to ensure that environmental, social and governance (ESG) considerations are central to decision-making across all Boustead companies. In addition, we have embarked on our own Reinventing BHIC strategy as we reshape BHIC into a high-performing sustainable organisation. Outcomes of various strategic initiatives can already be seen in our numbers. For the year 2021, BHIC recorded a profit after tax of RM15.2 million compared to a loss after tax of RM50.6 million in 2020.

The Board has welcomed four new members, Dato' Sri Mohammed Shazalli Ramly, who was appointed on 4 March 2021, Dato' Ahmad Nazim Abd Rahman and his alternate, Irfan Hashim, both of whom were appointed on 12 October 2021, and Datuk Haji Nasarruddin Dato' M. Zin, who was appointed on 27 January 2022. We would also like to take this opportunity to thank our former Chairman, Admiral Tan Sri Dato' Seri Ramlan Mohamed Alu (Retired) and former director, Fahmy Ismail, both of whom resigned on 11 June 2021.

As an organisation, we have been through some rough waters; but looking ahead, there is a promise of calm and steady growth. Driven by our values of Belonging, Honour, Integrity and Commitment, we believe we are definitely on the path towards reinventing BHIC for a Sustainable Future.

We take pride in our role in safeguarding the nation's defence assets entrusted to us and look forward to being able to extend our contribution well into the future. ■ ■

“

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





## CEO'S STATEMENT

The year 2021 continued to be tough for BHIC, as it was for most companies the world over, due to the prolonged pandemic. In addition, we continued to face cash flow constraints as a result of the Littoral Combat Ship (LCS) project having been stalled since 2019. More positively, we have made significant progress in the revival of the LCS project. We also successfully delivered all four Littoral Mission Ships (LMS) to the Royal Malaysian Navy (RMN) which further add to its fleet's strength. All of these, moreover, have taken place in the first full year of Reinventing Boustead, which is gaining momentum by the day.

Due to pandemic-related restrictions on marine and air travel, the number of vessels plying the seas and aircraft taking to the skies was severely reduced. Shipowners held back on new-build orders and the aviation sector was badly hit.

These impacted our commercial marine business and hampered our aerospace expansion plans. Internally, the Movement Control Order (MCO) meant that most of our employees worked remotely while we had to carry out our shipbuilding and ship repair activities, maintenance, repair and overhaul (MRO) services as well as components manufacturing with a reduced workforce.

The challenges brought about by the pandemic were further compounded by us not deriving any income from the LCS project in the last few years.

Since 2019, BHIC has been focusing intently on reviving the project and, on 7 May 2021, we achieved a significant breakthrough when the Government agreed in principle for it to be completed. Following this announcement, we have been working closely with the key stakeholders involved to prepare several proposals on the way forward for the project. We reiterate our commitment to ensure the delivery of the LCS to RMN following the announcement by the Senior Minister of Defence in April 2022 that the Cabinet had decided to continue with the project.

We are driven to complete this project due to its significance to the nation's maritime security, local marine industry ecosystem and our own sustainability.

“

We reiterate our commitment to ensure the delivery of the LCS to RMN following the announcement by the Senior Minister of Defence in April 2022 that the Cabinet had decided to continue with the project.

”



“

We signed a Memorandum of Understanding (MoU) with Airbus Defence and Space to collaborate on the MRO of fixed-wing military aircraft. While enhancing our presence in the aerospace domain, this collaboration has the potential to see us bridge the divide between the defence and the commercial segments.

”

## TOWARDS REINVENTION

In line with the Reinventing Boustead strategy introduced by our parent company Boustead Holdings Berhad to create a high performance and sustainable organisation, we have come up with our own reinvention roadmap to future-proof our businesses.

The strategy at BHIC is focused on three areas which we have determined as being key to our sustainability. They are group restructuring, business diversification and digitalisation.

The objective of group restructuring is to divest or cease the operations of non-performing and non-core business units as well as to merge companies with similar businesses in order to streamline our operations and create synergies for better efficiency. During the year, we achieved significant cost savings from the operational closure of several companies. Meanwhile, the assets of our Penang shipyard were liquidated, enhancing our cash flow.

Business diversification is critical in view of the fact that currently about 99% of our business is from the Government; and about 90% of our revenue is from the marine sector. To diversify our customer base, we seek to grow in the commercial segment while focusing on expanding in the aerospace sector. It pleases me to share that, despite the industry slowdown, we were able to achieve some successes during the year. Most pertinently, we signed a Memorandum of Understanding (MoU) with Airbus Defence and Space to collaborate on the MRO of fixed-wing military aircraft. While enhancing our presence

in the aerospace domain, this collaboration has the potential to see us bridge the divide between the defence and the commercial segments. To date, BHIC has been involved only in the MRO of helicopters. Now, we have the opportunity to explore the MRO of fixed-wing military aircraft and position ourselves more strategically to penetrate the commercial aerospace segment.

Meanwhile, through our digital transformation efforts, we aim to leverage the latest technologies to optimise our operational efficiencies. We have begun the process of developing an online platform to facilitate various business functions and to monitor key business parameters. Our associate Boustead Naval Shipyard (BNS) has been one of the earliest adopters of digital systems within the Group. BNS has introduced the Management Automated Reporting System (MARS) and Engineering Change Request (ECR). In addition it has also rolled out the MyBNS Digital Employee Experience (DEX) System which features e-Leave, e-Security, Gate Pass Online, Overtime Requests (Phase 1), HCM Self Services (Phase 1), Engineering Change Request (ECR) and a Quality Control Dashboard.

Group-wide, we have launched the BHIC MyLearning Programme which offers close to 400 learning modules, enabling our employees to gain useful knowledge and skills at their own convenience amid the pandemic. This is something which our employees truly appreciate and we have seen good traction of the modules offered. At the same time, other companies within the Group will consider implementing BNS' DEX system in due course.





## CEO'S STATEMENT

### MISSION ACCOMPLISHED

The completion of the LMS project was our stand out achievement in 2021. In 2017, BNS had signed a contract with Mindef to deliver four units of Keris-class LMS with the cooperation of three parties, namely Wuchang Shipbuilding Industrial Group Shipyard (WSIG), China Shipbuilding and Offshore International Co Ltd and China Classification Society.

LMS 1, KD KERIS, was delivered in December 2019, followed by the remaining three in 2021 – KD SUNDANG in March, KD BADIK in October and, finally, KD RENCONG in December. All four units were built by WSIG at its Shuangliu Manufacturer Base in Wuhan, China. The LMS is a new class of warships set to bolster Malaysia's maritime defence as part of the RMN's 15 to 5 Transformation Plan to create an efficient, fit for purpose armada. We take pride in our role in safeguarding the nation's defence assets entrusted to us and look forward to being able to extend our contribution well into the future.

### FINANCIAL PERFORMANCE

For the year under review, BHIC Group recorded a total revenue of RM149.2 million which marked a 3% increase from RM145.2 million in 2020, mainly from submarine contracts and other defence-related MRO projects.

Losses by our associate were due to variation in milestones for the LCS project. However, this was partially cushioned by the delivery of the three units of LMS to the RMN.



### DRIVING SUSTAINABILITY

We continue to operate in a manner that creates value for our stakeholders and we have been placing greater emphasis on important environmental, social as well as governance (ESG) matters. We truly believe that for any sustainability platform to be meaningful, it cannot merely be driven from the top but has to be internalised by everyone in an organisation. We are therefore focused on embedding a sustainability culture across the Group through various initiatives to heighten organisational awareness of important issues.

At the same time, we recognise that any serious effort to improve our sustainability performance must be supported by the means to measure and monitor key data. We have therefore embarked on the process of putting in place the necessary systems to collect and track data. Once this is accomplished, we will set targets in matters that we have identified as being most important in our sustainability agenda, such as carbon footprint reduction, safety, manpower and succession planning, and financial performance.

Talent development is key to our own sustainability and I am pleased to share that BHIC has fully embraced Boustead Group's Bousteador 300 (B300) initiative which involves identifying high potential talent throughout BHIC Group to be part of Boustead's Talent Management Programme. Currently, 18 of our talents are part of the B300 group which is driving various initiatives towards Reinventing Boustead into a high performing and sustainable organisation.

### OUTLOOK

As we prepare this report in the first quarter of 2022, the pandemic is still very much with us. However, on a positive note, Malaysia has reached a double vaccination rate of over 80% and the Government is moving towards treating COVID-19 as endemic. The objective is to pave the way towards full economic recovery.



Bank Negara Malaysia has forecast that the Malaysian economy will grow between 5.5% and 6.5% in 2022. This, and a RM16 billion allocation in Budget 2022 for the defence sector are positive indicators for the defence/security and marine sectors and augurs well for our prospects.

Even more encouragingly for BHIC, we enter the year with the extension of a number of major contracts held by our joint venture companies. These include Integrated Maintenance and Logistics Support for the Malaysia Maritime Enforcement Agency's Dauphin AS365N3 helicopters and In-Service Support for RMN's fleet of Prime Minister Class Scorpene submarines. Further supported by new contracts, we are assured of a steady income stream throughout 2022.

We will continue to build our revenue base by casting our net farther and wider, especially in the commercial segment in the marine and aviation sectors. We have already been in discussion with relevant parties on potential opportunities in the MRO of fixed-wing aircraft.

Meanwhile, we are ready to mobilise our team to restart the LCS project. We will embark on several programmes to take our reinvention strategy to the next level. We remain cautiously optimistic of our prospects in 2022, confident that the initiatives put in place to turn the company around, together with the improving economic conditions, will enable us to deliver value to our shareholders.

## ACKNOWLEDGEMENT

I would like to extend my gratitude to our valued shareholders, the Government of Malaysia, our customers, vendors, suppliers, bankers and various other stakeholders for your faith in and continuous support of BHIC.

On behalf of all Management and employees, I would also like to express our appreciation to the Board of Directors for its guidance.

I must also say thank you to all BHIC Group employees for their hard work and commitment. We will all do better next year!

**SHARIFUDDIN MD. ZAINI AL-MANAF**

Chief Executive Officer





# SECTION

## 03

### VALUE CREATION

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## VALUE CREATION

## OUR CAPITALS

Our capitals are those on which we leverage in order to create value. Each capital is important to our operations and all are interrelated. In managing these capitals, we therefore need to make strategic decisions to ensure optimal outcomes.

### FINANCIAL CAPITAL



Our financial capital comprises shareholders' funds, profits and financing facilities, which we leverage to run our business smoothly and sustainably. We seek to strengthen our balance sheet and reduce our debt levels by allocating capital in a manner that will deliver significant value, channelling them towards strategic growth opportunities.

- Total Assets  
**RM455.3 million**
- Revenue:  
**RM149.2 million**
- Total Equity:  
**RM80.6 million**

### MANUFACTURED CAPITAL



Our manufactured capital are the physical assets that enable us to carry out our core businesses, namely shipbuilding and repair, maintenance, repair and overhaul (MRO), the manufacture of components and training. It comes in the form of our shipyards in Lumut and Langkawi, the Royal Malaysian Navy (RMN) submarine base operated by our wholly owned subsidiary BSES, aerospace service centre and helicopters simulation centre in Subang (including all the equipment, systems and machinery used) as well as a marine technology academy in Lumut.

- Shipbuilding and Ship Repair capability:
  - (a) BNS  
Length: 120 m  
Capacity: 4,500 tons
  - (b) BLS  
Length: 10-55 m  
Capacity: 500 tons (including yachts)
- Property, plant & equipment: **RM296.7 million**

### INTELLECTUAL CAPITAL



Our intellectual capital comprises all the systems and procedures we have that ensure the ability to carry out our operations safely, reliably and efficiently. Other than our digital platforms, we stand to benefit from our R&D capabilities, and the various quality management as well as occupational health and safety management systems that have been implemented. In addition, we continue to be guided by our Code of Ethics and Conduct.

- Developed first in-house design for Offshore Support Vessels (OSV) classed by Bureau Veritas
- Developed in-house software that contributed to the successful delivery of the Submarine Technical Availability to RMN
- Developed in-house online training programmes
- Acquired rights to MEKO 100 patrol vessel design





## HUMAN CAPITAL



Our employees are critical to our operations; without them, we would not be able to fully leverage our other capitals to create value for BHIC and our stakeholders. We therefore invest in the continued professional development of our employees, enhancing their competencies and capabilities. Our goal is to enable our employees to realise their full potential in order to nurture a high-performance culture.

- Investment in Employee Training and Development: **RM0.5 million**
- Total Employees  
Female: **280 (22%)**  
Male: **1,005 (78%)**  
Permanent: **1,094 (85%)**  
Contract: **191 (15%)**



## SOCIAL & RELATIONSHIP CAPITAL



The relationships we have with our principals, vendors and suppliers, customers, employees, investors and communities are critical to our sustainable growth. We therefore seek to create value for these stakeholders through our core business activities, as well as through targeted initiatives such as our Vendor Development Programme (VDP), investor relations programmes and community outreach initiatives.

- Total Registered Vendors: **2,661**
- Total vendors under of Vendor Development Programme: **36 vendors**
- Total Local Procurement: **71.4%**  
International Procurement: **28.6%**



## NATURAL CAPITAL



We depend on natural resources such as water, fossil fuels and other natural assets both directly within our operations and indirectly via our value chain. Recognising the impact our activities, products and services may have on the environment, we take seriously our environmental stewardship, and have instituted various initiatives to ensure effective waste and water management as well as to reduce our carbon emissions.

- Energy Consumption: **33,083.15 GJ**
- Total GHG emissions: **6,422.81 tCO<sub>2</sub>e**



## VALUE CREATION

# OUR BUSINESS MODEL

It is through our Business Model that the various capitals are transformed into inputs, outputs and outcomes. Our stakeholder relationships are central to how we create, preserve and transform value.

### OUR CAPITALS ...

### ... ENABLE VALUE-ADDING

### ACTIVITIES THAT CREATE ...

#### INPUTS

#### STRATEGIC PILLARS

#### KEY MARKET TRENDS

Global Economic Recovery

COVID-19

Growing Demand

For Eco-Friendly,

High-Efficiency Ships

Advancement in

Technology and

Digitalisation

Regulatory and

Compliance

For more information see pages: 048 to 050



#### FINANCIAL CAPITAL

- Total Assets: RM455.3 million
- Cash Generated from Operations: RM4.5 million
- Net Gearing Ratio 3.57 times



#### MANUFACTURED CAPITAL

- Shipyards: 2
- Aeroservices centre: 1
- Aviation training centre: 1
- Marine training academy: 1
- Weapons and combat systems workshops: 2



#### INTELLECTUAL CAPITAL

- Malaysia's first locally designed OSV
- Malaysia's only provider of Refit and In-Service Support for RMN submarines
- Acquired rights to MEKO 100 patrol vessel design



#### HUMAN CAPITAL

- Highly skilled and experienced personnel in shipbuilding, ship repair, and MRO of submarines, helicopters, weapons and combat systems
- Qualified engineers and technologists certified by professional bodies
- Introducing an online training platform MyLearning Programme



#### SOCIAL & RELATIONSHIP CAPITAL

- Embracing sustainable principles and responsible ESG practices
- Longstanding and strong relationship with key stakeholders
- Responsible corporate citizen with close ties to local communities



#### NATURAL CAPITAL

- Electricity Consumption: 8,991,600.42 kWh
- Water Consumption: 224,874 m3



#### Group Restructuring

- Divesting/closing operations of non-performing and non-core business units as well as merging companies with similar businesses to streamline operations and create synergies for better efficiencies
- Liquidating the assets of Boustead Penang Shipyard to enhance our cashflow



#### Business Diversification

- Exploring opportunities to grow our commercial business segment in the marine sector along with the commercial and government segment in the fixed wing aerospace sector



#### Talent Management

- Investing in training and skills development by encouraging employees to obtain professional qualifications and through Transfer of Know How programme
- Embracing Boustead Group's Bousteador 300 initiative to identify high potential talent to drive various initiatives to reinvent the Group towards becoming a high performing and sustainable organisation
- Introducing an online training module MyLearning Programme

#### MATERIAL MATTERS



Good Corporate Governance and Integrity



Products and Services Quality and Customer Satisfaction



Economic and Financial Sustainability



Occupational Health and Safety



Employee Training, Education and Development



Providing Business Opportunities



Impact of the Pandemic



Labour Practices and Human Rights



Research and Development and Innovation



Waste and Water Management



Greenhouse Gas Emissions and Energy Management



Community Contributions and Development

For more information see pages: 051 to 057

#### FINANCIAL OUTCOMES

##### REVENUE

**RM149.2 million**

(2020: RM145.2 million)

##### PROFIT/(LOSS) AFTER TAX

**RM15.2 million**

(2020: RM(50.6) million)


































# GUIDED BY...

# OUR VISION AND MISSION

# UNDERPINNED BY...

# OUR CORE VALUES

## ... VALUE FOR OUR STAKEHOLDERS.

OUTPUTS	OUTCOMES	STAKEHOLDERS	UNSDGs
<ul style="list-style-type: none"> <li>3 units of LMS</li> <li>Integrated maintenance and logistics contract support services for helicopters: 1</li> <li>In-Service Support contract for helicopters: 1</li> <li>Refit contract for submarines: 1</li> <li>In-Service Support contract for submarines: 1</li> <li>Submarine facilities upkeep contract: 1</li> <li>MRO contracts for RMN Oto Melara and Bofors guns</li> <li>Integration of new Navigation Radar with the existing Combat Management Systems onboard RMN ships: 5 ships</li> </ul>	<p><b>FINANCIAL CAPITAL</b></p> <ul style="list-style-type: none"> <li>Profit After Tax: RM15.2 million (2020: Loss After Tax: RM(50.6) million)</li> <li>EBITDA: RM37.0 million (2020: RM(10.4) million)</li> <li>Net Assets per Share: 32 sen (2020: 26 sen)</li> <li>Shareholders' Equity: RM80.6 million (2020: RM65.4 million)</li> <li>Return on Assets: 3.47% (2020: (11.36%))</li> </ul> <p><b>MANUFACTURED CAPITAL</b></p> <ul style="list-style-type: none"> <li>MRO projects on naval, commercial and private vessels worth RM302.1 million</li> <li>Delivered three units of LMS to RMN</li> <li>Completed MRO works for 2 RMN ships valued at RM20.4 million</li> <li>Awarded Refit contracts for two RMN ships worth RM92.8 million</li> <li>Operational availability of 12 units of RMAF H225M and 3 units of MMEA AS365N3 helicopters</li> <li>Awarded one-year MRO contract to undertake MRO on RMN's Oto Melara Gun</li> <li>Carried out 44 MRO works on Bofors guns for RMN ships</li> </ul> <p><b>INTELLECTUAL CAPITAL</b></p> <ul style="list-style-type: none"> <li>Awards and recognition achieved</li> <li>Increase in the number of local engineers and technicians Malaysian experts in the submarine MRO</li> <li>Commendation to BHICAS by MMEA on the Integrated Maintenance and Logistics Support Services provided to its helicopters</li> </ul> <p><b>HUMAN CAPITAL</b></p> <ul style="list-style-type: none"> <li>Zero fatalities recorded in 2021</li> <li>Employees able to work remotely during Movement Control Order (MCO) and Extended MCO (EMCO)</li> <li>Strong safety culture embedded throughout the Group</li> <li>Highly skilled and professional employees</li> </ul> <p><b>SOCIAL AND RELATIONSHIP CAPITAL</b></p> <ul style="list-style-type: none"> <li>Total procurement spend: RM87.1 million (2020: 97.6 million)</li> <li>Total procurement spend on local vendors and suppliers: 71.4% (2020: 93.3%)</li> <li>Total procurement spend on international vendors and suppliers: 28.6% (2020: 6.7%)</li> <li>Total number of vendors in Vendor Development Programme: 36</li> </ul> <p><b>NATURAL CAPITAL</b></p> <ul style="list-style-type: none"> <li>E-Learning module on sustainability</li> <li>Awareness campaign on environmental sustainability</li> </ul>	     	               
<p><b>Waste</b></p> <ul style="list-style-type: none"> <li>Scheduled waste generated: 427.4 tonnes</li> <li>GHG Emissions (in tCO<sub>2</sub>e):</li> </ul> <p><b>Scope 1    Scope 2</b></p> <p><b>2021</b>    323.5    6,099.3</p> <p><b>2020</b>    447.1    6,917.6</p>	<p><b>ENERGY AND CARBON EMISSIONS</b></p> <ul style="list-style-type: none"> <li>Electricity Consumption: Energy Saved 12% (2021: 6,099.3 tCO<sub>2</sub>e-) (2020: 6,917.6 tCO<sub>2</sub>e-)</li> </ul> <p><b>WATER</b></p> <ul style="list-style-type: none"> <li>Water consumption: Reduced by 18% (2021: 224,874 m3) (2020: 274,566 m3)</li> </ul> <p><b>WASTE</b></p> <ul style="list-style-type: none"> <li>Scheduled waste reduced by 21%: (2021: 427.4 tonnes) (2020: 542.2 tonnes)</li> </ul>	  	     

NET TANGIBLE ASSETS  
**RM80.6 million**  
(2020: RM65.4 million)


EBITDA  
**RM37.0 million**  
(2020: RM(10.4) million)

EARNINGS/(LOSS) PER SHARE  
**6.11 sen**  
(2020: (20.36) sen)

## VALUE CREATION

## STAKEHOLDER ENGAGEMENT

Our stakeholders are those who either can influence our operations or are impacted by them. To underscore our appreciation towards them and to further strengthen stakeholder connections, we constantly engage with them to understand their needs and concerns while communicating our business strategies and direction. In the table below, we define our stakeholders and describe why they are important, what their concerns are and how we seek to create value for them.

Why We Engage	Engagement Platforms & Frequency of Engagement
 <b>SHAREHOLDERS AND INVESTORS</b> <p>Shareholders and investors are a valuable source of capital to the company. It is important that we maintain their trust and confidence in our ability to generate sustainable financial returns.</p>	<p><b>ANNUAL</b></p> <ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Annual Report</li> <li>• Sustainability Report</li> </ul> <p><b>QUARTERLY</b></p> <ul style="list-style-type: none"> <li>• Financial Results</li> </ul> <p><b>AS AND WHEN REQUIRED</b></p> <ul style="list-style-type: none"> <li>• Bursa announcements</li> <li>• Media releases</li> <li>• Exhibitions/Conferences</li> <li>• Corporate website</li> <li>• Social media</li> <li>• Correspondence and telecommunication</li> </ul>



Key Focus Areas	Our Response
<ul style="list-style-type: none"> <li>• Compliance with regulatory authorities</li> <li>• Adoption of best practices in corporate governance</li> <li>• Business continuity</li> <li>• Human capital development</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring timely, transparent, accurate and comprehensive disclosure of material information</li> <li>• Adopting best practices of Malaysian Code on Corporate Governance updated as of 28 April 2021 (MCCG)</li> <li>• Conducted training and awareness programmes on Section 17A of Malaysian Anti-Corruption Commission (MACC) Act 2009</li> <li>• Introducing SOP on Gifts, Sponsorship, Donation and CSR Activities</li> <li>• Adhering to BHIC Code of Ethics and Conduct, BHIC Directors Code of Ethics and Conduct, Anti-Bribery and Anti-Corruption Policy Statement and Whistleblowing Policy</li> <li>• Reinventing BHIC to enhance cost and operational efficiencies, resolve ongoing issues, and diversify for a more sustainable future</li> <li>• Developing highly skilled talents and encourage engineers to register with Malaysia Board of Technologists</li> </ul>

# VALUE CREATION

## STAKEHOLDER ENGAGEMENT

Why We Engage	Engagement Platforms & Frequency of Engagement
<div> <b>EMPLOYEES AND WORKERS UNIONS</b> </div> <p>Our people are our most important asset and we seek to provide them with a conducive work environment, complete with training and development opportunities and a high level of engagement, to help them realise their true potential. We also communicate regularly with the union to maintain healthy labour relations.</p>	<p><b>ANNUAL</b></p> <ul style="list-style-type: none"> <li>Individual performance review</li> </ul> <p><b>QUARTERLY</b></p> <ul style="list-style-type: none"> <li>Townhalls</li> </ul> <p><b>MONTHLY</b></p> <ul style="list-style-type: none"> <li>Management Meeting</li> </ul> <p><b>AS AND WHEN REQUIRED</b></p> <ul style="list-style-type: none"> <li>Trainings and workshops</li> <li>Social, sports and recreational activities</li> <li>MyCompass intranet portal</li> <li>Knowledge sharing sessions</li> <li>Emails/telecommunication</li> <li>Internal memos/circulars</li> </ul>

Key Focus Areas	Our Response
<ul style="list-style-type: none"> <li>• Safety and health</li> <li>• Rewards and recognition</li> <li>• Effects of pandemic</li> <li>• Information dissemination</li> <li>• Talent development</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring our facilities and workplaces comply with HSE rules and regulations</li> <li>• Conduct performance reviews twice a year to assess employees' performance</li> <li>• Providing the means for employees to work from home/remotely during the MCO</li> <li>• Regularly communicating SOPs and updates on COVID-19 related matters</li> <li>• Ensuring all SOPs are complied with for those coming to work at office/ facilities</li> <li>• Regularly disseminating information on corporate developments at Townhall meetings and via memos, intranet portal, social media and other communication channels</li> <li>• Facilitating open channel of communication between Management and Union</li> <li>• Reskilling and upskilling employees through various training programmes</li> </ul>



## VALUE CREATION

## STAKEHOLDER ENGAGEMENT

Why We Engage	Engagement Platforms & Frequency of Engagement
<div data-bbox="156 400 227 470"> </div> <p><b>REGULATORY AUTHORITIES</b></p> <p>It is important to engage regularly with the Government and regulators to keep updated on changes to the regulatory environment, as well as to maintain a healthy relationship based on trust.</p>	<p><b>ANNUAL</b></p> <ul style="list-style-type: none"> <li>• Annual report</li> <li>• Sustainability report</li> </ul> <p><b>QUARTERLY</b></p> <ul style="list-style-type: none"> <li>• Financial Results</li> </ul> <p><b>AS AND WHEN REQUIRED</b></p> <ul style="list-style-type: none"> <li>• Bursa announcements</li> <li>• Facilities visits by Government agencies</li> <li>• Dialogue and feedback sessions</li> <li>• Regulatory audits and inspections</li> <li>• Correspondence and telecommunication</li> <li>• Media releases</li> </ul>
<div data-bbox="156 1389 227 1459"> </div> <p><b>CUSTOMERS</b></p> <p>Our customers play a central role in our business growth. We need to understand their expectations in order to deliver value-added products that build customer loyalty and trust.</p>	<p><b>AS AND WHEN REQUIRED</b></p> <ul style="list-style-type: none"> <li>• Roadshows and marketing activities</li> <li>• Business development</li> <li>• Meetings</li> <li>• Exhibitions/Conferences and events</li> <li>• Print, digital and social media</li> <li>• Client satisfaction survey</li> <li>• Sponsorships and donations</li> <li>• Correspondence and telecommunication</li> </ul>

Key Focus Areas	Our Response
<ul style="list-style-type: none"> <li>• Compliance with rules and regulations</li> <li>• Ensuring a high level of corporate governance</li> <li>• Integration of sustainability into business operations and strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Continuously reinforcing Board oversight while strengthening compliance capabilities</li> <li>• Adhering to best practices of Malaysian Code on Corporate Governance updated as of 28 April 2021</li> <li>• Conducting training and awareness programmes on Section 17A of MACC Act 2009</li> <li>• Introduction of SOP on Gifts, Sponsorship, Donation and CSR Activities</li> <li>• Adhering to BHIC Code of Ethics and Conduct, BHIC Directors Code of Ethics and Conduct, Anti-Bribery and Anti-Corruption Policy Statement and Whistleblowing Policy</li> <li>• Establishing Board and Management Sustainability Committee</li> <li>• Adhering to Bursa Malaysia's Main Market Listing Requirements</li> </ul>
<ul style="list-style-type: none"> <li>• Project deliverables</li> <li>• Customer service</li> <li>• Business continuity</li> </ul>	<ul style="list-style-type: none"> <li>• Providing infrastructure and human capital while enhancing productivity and efficiency to deliver projects on time, at cost and to customers' expectations</li> <li>• Engaging with customers to hear their concerns, understand their needs and enhance the customer experience</li> <li>• Carrying out reinventing strategy to enhance cost and operational efficiencies, resolve ongoing issues, and diversify for a more sustainable future</li> </ul>

**VALUE CREATION****STAKEHOLDER ENGAGEMENT**

Why We Engage	Engagement Platforms & Frequency of Engagement
 <b>VENDORS AND SUPPLIERS</b> <p>Our vendors and suppliers provide critical support in our effort to deliver quality products and services. We engage with them to procure products and services that meet the needs of our customers and enable us to serve them better.</p>	<p><b>ANNUAL</b></p> <ul style="list-style-type: none"> <li>• VDP Performance Monitoring</li> </ul> <p><b>BI-ANNUALLY</b></p> <ul style="list-style-type: none"> <li>• Vendor Performance Assessment</li> </ul> <p><b>QUARTERLY</b></p> <ul style="list-style-type: none"> <li>• Site visits</li> <li>• Vendor satisfaction survey</li> </ul> <p><b>AS AND WHEN REQUIRED</b></p> <ul style="list-style-type: none"> <li>• Anti-bribery and anti-corruption policy</li> <li>• Correspondence and tele-communication</li> <li>• Networking session</li> </ul>
 <b>LOCAL COMMUNITIES</b> <p>We believe in giving back to our local communities, which support our operations in many tangible and intangible ways. We therefore engage with different segments of these communities to understand their needs, and identify ways in which we can make meaningful contributions.</p>	<p><b>AS AND WHEN REQUIRED</b></p> <ul style="list-style-type: none"> <li>• Community engagement and outreach programmes</li> <li>• CSR activities</li> <li>• Sponsorships and donations</li> <li>• Dissemination of information</li> </ul>



Key Focus Areas	Our Response
<ul style="list-style-type: none"> <li>• Transparent and efficient systems related to vendors/suppliers</li> <li>• Vendor development</li> <li>• Safety of workplace</li> <li>• Training and innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Embracing digital platforms to facilitate transparency and create greater efficiency in dealing with vendors and suppliers</li> <li>• Providing training and other forms of support to vendors under our Vendor Development Programme</li> <li>• Ensuring our facilities comply with HSE rules and regulations to safeguard the well-being of our employees and vendors/suppliers</li> </ul>
<ul style="list-style-type: none"> <li>• Effects of the pandemic on the community</li> <li>• Employment and economic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Donated PPE, hand sanitisers and hand soaps to employees, frontliners, hospitals and local communities; and organised vaccination programme</li> <li>• Ensuring compliance with HSE rules and regulations to provide conducive working environment and safeguard the well-being of communities where we operate</li> <li>• Donating to childcare centres, shelter homes and other establishments for the underprivileged</li> <li>• Providing jobs to local communities in the defense, marine and aerospace sectors</li> </ul>

## VALUE CREATION

# ENGAGING WITH STAKEHOLDERS DURING THE PANDEMIC

While activating a Business Continuity Plan (BCP) from as early as February 2020 to sustain our business, our top-most priority has been the safety and well-being of our stakeholders. To mitigate their risk of infection, we have adopted the following approach:

- Remote working combined with frequent online engagement
- Maintaining high standards of safety at our offices and premises
- Keeping our business partners, customers, vendors/suppliers, employees and their families safe



## KEY INITIATIVES UNDERTAKEN FOR OUR KEY STAKEHOLDERS ARE DESCRIBED BELOW



### EMPLOYEES AND WORKERS UNIONS

- Adhering to MCO and all Standard Operating Procedures (SOPs) during the pandemic by Working From Home (WFH) during MCO and working in hybrid mode thereafter
- Implemented strict SOPs as guided by the Ministry of Health (MOH) – including physical distancing, use of personal protection equipment (PPE), conducting temperature checks, health monitoring and travel declarations
- Transitioned physical events to online platform
- Implemented flexible work policies and practices that enable mobile working
- Established a COVID-19 Task Force which issues regular advisories to employees and kept close contact with those affected by the MCO and EMCO



## HIGHLIGHTS



**Participated**  
in vaccination  
programmes



## CUSTOMERS

- Continued to engage with our customers on digital platforms
- Ensured we met our commitments to customers by maintaining business operations



## SHAREHOLDERS AND INVESTORS

- Disclosed our specific risks and mitigating plans through our yearly results
- Continued to host meetings with our bankers and financiers virtually
- Issued our annual report and notice of AGM as well as hosted our AGM within the regulatory stipulated timeframe. In line with the Securities Commission's recommendations, we successfully livestreamed our first ever fully virtual AGM on 23 June 2021



## VENDORS AND SUPPLIERS

- Maintained strict SOPs at all our facilities and offices and implemented containment measures such as sanitisation at the workplace
- Required temperature checks and health status declaration of vendors/suppliers and business partners, as well as MySejahtera scanning before they entered our premises
- Ensured contractors, suppliers and business partners used or were provided with PPE, thermometers and sanitisers to reduce the risk of infection
- Shared information and guidelines on how vendors and suppliers can protect themselves and their families from COVID-19
- Underlined our commitment to providing a safe and healthy workplace by maintaining ISO 45001:2018 Occupational Health & Safety Management certification



## LOCAL COMMUNITIES

- Donated PPE, hand sanitisers and hand soaps to our employees, frontliners, hospitals and local communities
- Donated SIM cards and reloads to volunteers at COVID-19 Vaccination Centre set up by the Perak State Marine Department
- Organised COVID-19 vaccination programme for BNS and Boustead Group employees based in Lumut/Seri Manjung area
- Donated food baskets to employees affected by the Extended Movement Control Order



**Donated PPE, hand sanitisers and hand soaps** to our employees, frontliners, hospitals and local communities



**Donated food baskets** to employees affected by the Extended Movement Control Order



# SECTION

## 04

### MANAGEMENT DISCUSSION AND ANALYSIS

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## A. STRATEGIC REVIEW

## KEY MARKET TRENDS

## GLOBAL ECONOMIC RECOVERY

The global economy picked up considerably in 2021 compared to 2020, as mass vaccination programmes across the world lent governments the confidence to relax various restrictions that had been imposed when the pandemic first broke out. The World Bank has forecast global economic growth of 5.6% in 2021, as compared to a 2.6% contraction in 2020 (source: World Bank). However, this growth was not even. Developed countries with early access to COVID-19 vaccinations were able to resume economic activity much earlier than their less developed counterparts and were therefore able to record higher growth for the year. In ASEAN-5, for example, GDP has been forecast at 2.9%. Malaysia, meanwhile, registered 3.1% growth in 2021, supported by increased economic activity amid continued policy support (source: Ministry of Finance Malaysia).

## IMPACT

The global economy has an impact on all business segments and industries, including defence, shipbuilding, trade and tourism. As economies strengthen, national budgets will increase; trade and tourism activity will resume; and organisations can gradually return to business as usual.

## HOW WE RESPOND

As our principal activities in the marine, aerospace and weapons and combat systems sectors are subject to various macro-economic factors, we have been tracking global economic trends and especially developments pertinent to our core businesses. At the same time, we have continued to explore possible commercial and aerospace ventures as part of our business diversification strategy. This positions us more strongly to leverage the economic recovery optimally.

## OUTLOOK

The World Bank has predicted that the global economy will moderate to an extent in 2022, registering growth of 4.1%. As Malaysia starts from a lower base, GDP growth in Malaysia has been forecast by BNM at between 5.5% and 6.5%. Meanwhile the government has increased its allocation for development expenses under its defence budget in 2022 by 1.8% to RM16 billion, which is positive news for the defence sector (source: NST).

## COVID-19

The global recession triggered by the pandemic caused a drop in seaborne trade and offshore economic activities resulting in a sharp downturn in the marine sector, in particular shipbuilding. While shipowners held back on ordering new vessels, there was also a decline in demand for MRO services across the board. This was further exacerbated by fewer sailing boats and marine leisure craft in the Straits of Malacca. Meanwhile, the Movement Control Order (MCO) introduced to curb the spread of the pandemic severely restricted business operations. Along with every spike in the incidence of COVID-19, the risk of employees being infected also increased.

## IMPACT

The pandemic had an impact on all our operations, particularly our shipyards. Despite strict adherence to the government's SOPs, several of our employees tested positive while others who had been in close contact with patients were required to quarantine.

## HOW WE RESPOND

In terms of operations, we are focused on ongoing projects while exploring venues to diversify our business. To protect our employees, we have adhered strictly to all SOPs, requiring all non-essential employees to work from home, conducting meetings on virtual platforms as well as sharing documents online.

## OUTLOOK

In early 2022, the number of COVID-19 cases spiked along with the emergence of Omicron. However, this new variant is not as severe as earlier strains and the number of hospitalisations as well as fatalities in Malaysia were well under control. As a result, Malaysia and many other countries are increasingly resuming full economic operations and opening up their borders to international visitors.

## GROWING DEMAND FOR ECO-FRIENDLY, ENERGY EFFICIENT SHIPS

As long-term demand for shipping services increases to facilitate international trade and marine activities such as offshore energy exploration and production, tourism, fishery and port operations, there is growing pressure by the international community for the shipping sector to reduce its carbon footprint.

The International Maritime Organization (IMO), the United Nations body responsible for safe and environment-friendly shipping, is helping to shape a carbon-neutral industry through the introduction of international conventions, protocols and guidelines. This includes the IMO 2020 regulations which require UN member nations to cap the sulphur content in marine fuels to 0.5% to reduce air pollution.

### IMPACT

The global environmental movement has led to growing demand for eco-friendly and energy efficient ships featuring designs and onboard equipment, fittings and systems that help reduce Greenhouse Gas (GHG) emissions. In turn, shipyards worldwide are stepping up to the plate to build 'green' ships which comply with IMO conventions, international standards and domestic laws and regulations with regard to marine environmental protection.

### OUTLOOK

The pressure on all industries, including shipbuilding, to lower our carbon footprint will only grow as the need to cap our emissions becomes more urgent.

### HOW WE RESPOND

As a member nation and a member of one of the International Councils of IMO, Malaysia is committed to supporting its green initiatives. To meet stakeholder expectations, and to satisfy our own commitment to protecting the environment, we frequently engage with shipowners and other stakeholders to keep abreast of the growing trend of eco-friendly and energy efficient ships.

## ADVANCEMENTS IN TECHNOLOGY AND DIGITALISATION

Digitalisation is taking the world by storm, revolutionising the way people engage with each other; the way processes are carried out; and, basically, the way everything gets done. With the outbreak of the pandemic, there is a need to maintain social distancing while keeping operations going. This has increased the pace of people and industries adopting digital processes and solutions. The result is that, today, going digital is no longer a matter of choice but has become essential and inevitable.

### IMPACT

Applications in Industry 4.0 such as additive manufacturing (3D printing), artificial intelligence, big data analytics, blockchain, Internet of Things, nanotechnology, remotely operated vehicles and virtual reality, among others, are increasingly being used in the manufacturing and provision of services in the sectors in which we operate.

### OUTLOOK

Along with the rest of Boustead Group, we will continue to intensify our investment in digital technologies in order to stay competitive and retain our leadership and market share in our core businesses.

### HOW WE RESPOND

We have introduced an online training platform called BHIC MyLearning Programme for Employee Training and Development. Another initiative is MyBNS Digital Employee Experience (DEX system) featuring e-Leave and e-Security functions to enhance back office efficiency. We have begun to implement various digital systems, such as Engineering Change Request (ECR), Quality Control Dashboards, and applications for various functions from tracking hazardous work permits to monitoring the movement of critical equipment. We are also digitalising our human resources processes for greater efficiency.

## A. STRATEGIC REVIEW

### KEY MARKET TRENDS

#### REGULATORY AND COMPLIANCE

The conduct of businesses has repercussions on various stakeholders. To monitor the actions of corporations, and ensure their integrity as well as transparency, governments impose various regulations on the corporate sector and constantly update these according to changes in the operating environment. In Malaysia, businesses are regulated by bodies such as Bursa Malaysia, Securities Commission and Malaysian Anti-Corruption Commission (MACC), among others. We are thereby required to adhere to regulations/guidelines such as the Malaysian Code on Corporate Governance updated as of 28 April 2021 (MCCG), MACC Act 2009, Companies Act 2016 and Employment Act 1955.

#### IMPACT

In tandem with greater regulation across industries, there has been increasing focus on compliance. This has driven organisations to ensure adherence to existing and new regulations that are applicable to the organisation.

#### OUTLOOK

We recognise the importance of adhering to regulations hence we are fully prepared to strengthen internal processes and procedures accordingly.

#### HOW WE RESPOND

We take seriously our responsibility to comply with regulatory imperatives, rules and regulations related to our business activities and status as a public listed company. Our internal policies and procedures reflect regulations that are relevant to our core businesses.





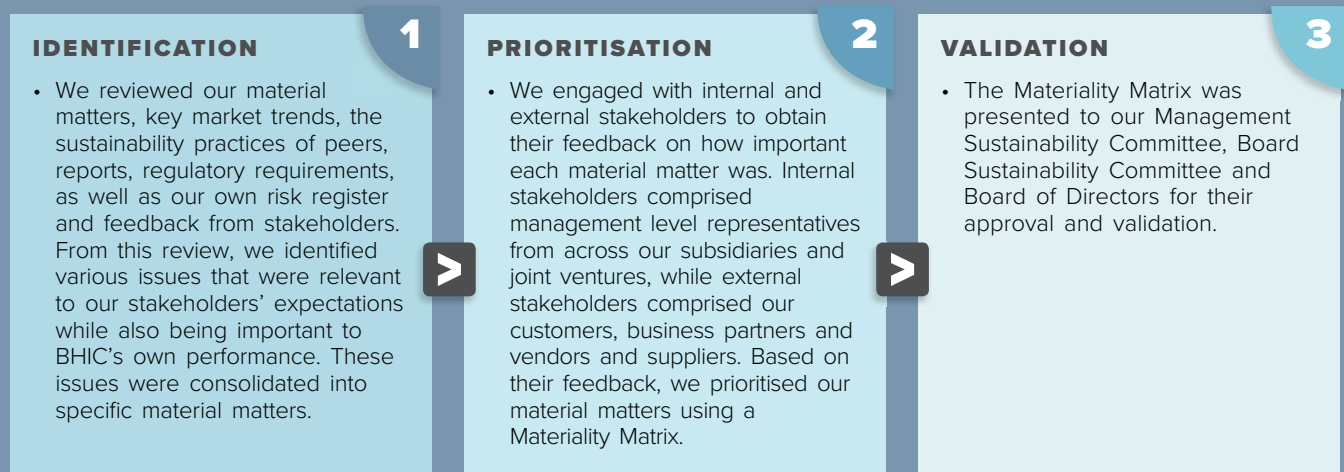
## A. STRATEGIC REVIEW

# MATERIAL MATTERS

We take into consideration market trends, feedback from our stakeholders and risk factors relevant to the Group to determine our material matters. These are matters that are crucial to both our stakeholders as well as the achievement of our corporate goals. Understanding these matters is important in enabling us to shape the right strategies for sustainable growth.

### Materiality Assessment

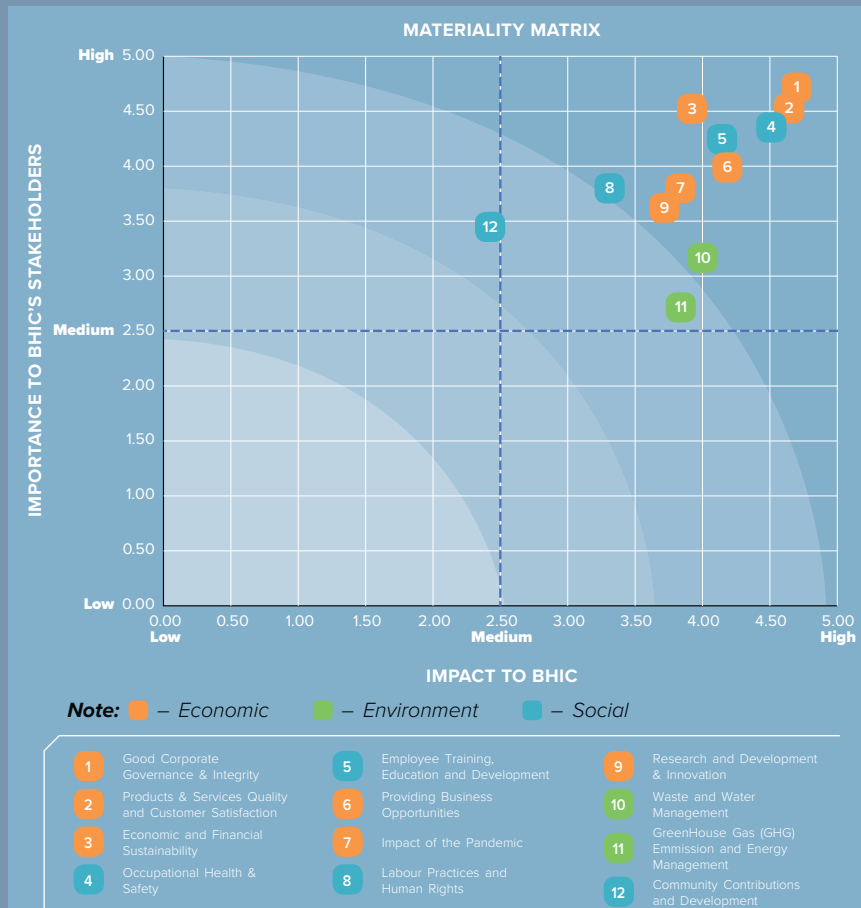
BHIC undertook our first comprehensive materiality assessment in 2019 to determine matters that were important to our stakeholders as well as to the Group. The assessment followed a three-step process involving:



The process resulted in 12 material matters being identified. In 2020, our Management reviewed these material matters and determined that they continued to be relevant. In 2021, we engaged internal and external stakeholders to review the material matters in order to refresh our Materiality Matrix. Participants responded to the questionnaires distributed to them where they provided their input on the importance and impact of the material matters to BHIC.

Their input resulted in changes to the material matters ranking for year 2021.

In terms of ranking, the three most important material matters to BHIC are 'Good Corporate Governance and Integrity', 'Products and Services Quality and Customer Satisfaction' and 'Economic and Financial Sustainability'.





## A. STRATEGIC REVIEW

### MATERIAL MATTERS

#### 1. GOOD CORPORATE GOVERNANCE AND INTEGRITY



##### WHAT IT IS

Complying with applicable regulatory requirements (local and across borders) and internal company policies to build trust with all stakeholders. For example:

- i) Ensuring fair and accurate reporting and accounting practices
- ii) Applying sufficient scrutiny during review of legal contracts
- iii) Exercising caution when selecting business partners

##### WHY IT IS IMPORTANT

Corporate governance is the foundation of good business practice. Embedding good corporate governance and integrity principles not only helps to mitigate risks and reduce malpractice and corruption, but also provides assurance that the organisation is conducting its business with integrity.

##### OUR RESPONSE

- Continuous strengthening of corporate governance to uphold the highest level of integrity
- Conducted awareness programmes for employees on Section 17A of Malaysian Anti-Corruption Commission Act 2009 on Corporate Liability
- BDNC undertook an Integrity Pledge and introduced an Anti-Bribery and Anti-Corruption Programme for employees, leading to Anti-Bribery Management System ISO 37001:2016 certification from NIOSH Certification Sdn Bhd
- Introduced SOP on Gifts, Sponsorship, Donation and CSR Activities to ensure adherence to integrity in such activities
- Having in place BHIC Directors Code of Ethics and Conduct, BHIC Code of Ethics and Conduct, Anti-Bribery and Anti-Corruption Policy Statement and Whistleblowing Policy

#### 2. PRODUCTS AND SERVICES QUALITY AND CUSTOMER SATISFACTION



##### WHAT IT IS

It is important for businesses to gauge the level of customer satisfaction and provide prompt response in addressing issues raised to sustain positive relationships and retain customers.

Ensuring products and services are delivered on time and at the price and quality required, by way of:

- i) Establishing a quality management system
- ii) Performing internal quality checks and audits by third parties as well as vendors/suppliers quality audits
- iii) Cultivating a culture of continuous improvement
- iv) Conducting customer satisfaction surveys
- v) Ensuring data privacy and security

##### WHY IT IS IMPORTANT

Delivering products and services that meet customers' satisfaction is important to an organisation's growth. It ensures customer loyalty and helps to attract as well as retain customers in a competitive business environment.

##### OUR RESPONSE

- Adhering to best practices of ISO 9001:2015 Quality Management System and organising regular internal quality checks
- Constantly engaging with customers to gauge their needs and expectations
- Periodically carrying out customer satisfaction surveys for feedback on our services and to hear their suggestions on areas for improvement

### 3. ECONOMIC AND FINANCIAL SUSTAINABILITY



#### WHAT IT IS

Delivering sustainable economic performance through the effective implementation of BHIC's business plan and strategies to continue generating stakeholder value.

#### WHY IT IS IMPORTANT

Economic and financial sustainability is essential for an organisation's continued growth and sustainability.

#### OUR RESPONSE

- Enhancing our customer service and delivery to retain the business of existing customers and gain new ones
- Casting our net wider in the commercial/non-government segment in the sectors where we have a presence
- Introducing initiatives to expand our presence in the aerospace sector, namely in fixed wing military aircraft MRO and commercial segments
- Increasing efforts to attract commercial and private vessels to our shipyards for MRO works

### 4. OCCUPATIONAL HEALTH AND SAFETY



#### WHAT IT IS

Maintaining a safe and healthy working environment across operations, including:

- i) Compliance with regulatory requirements
- ii) Adherence to safety and health management systems (e.g. OSHAS 18001, ISO 45001, etc)
- iii) Continuous improvement in Occupational Safety Health (OSH) practices and performance

#### WHY IT IS IMPORTANT

A strong commitment to health and safety benefits employees and the organisation by decreasing the incidence of illness, injuries and fatalities thus ensuring productivity. The organisation will also benefit from decreased costs associated with compensation and new recruitment thus improving its financial performance as well as reputation.

#### OUR RESPONSE

- Adhering to BHIC SOPs on HSE Policy and upholding the highest standards of HSE in compliance with Factories and Machinery Act 1967, Environmental Quality Act 1974 and Occupational Safety and Health Act 1994
- Implementing safety briefings and drills
- Constantly monitoring and controlling COVID-19 including ensuring employees, vendors and sub-contractors are vaccinated and are able to declare their health status
- Providing a safe, healthy and environmentally clean workplace for employees, vendors and sub-contractors
- Sharing information and guidelines on how employees can protect themselves and their families from COVID-19
- BDNC and BNS maintained ISO 45001:2018 Occupational Health & Safety Management certification which underlines our commitment to providing a safe and healthy workplace and proactively improve our occupational health and safety performance

## A. STRATEGIC REVIEW

### MATERIAL MATTERS

#### 5. EMPLOYEE TRAINING, EDUCATION AND DEVELOPMENT



##### WHAT IT IS

Providing opportunities for employees to undergo training to enhance their skill sets and develop capabilities in order to meet current and future business needs.

##### WHY IT IS IMPORTANT

A well-trained workforce has a direct and positive effect on organisational performance. Being well trained increases job satisfaction, morale and motivation among employees to improve productivity and efficiency resulting in personal and career development. The company's performance is also set to benefit from such a workforce.

##### OUR RESPONSE

- Introducing BHIC MyLearning Programme, featuring almost 400 training modules, providing a flexible and convenient platform for employees to acquire knowledge and skills online
- Participating in Bousteador 300 Programme introduced by Boustead Holdings aimed at identifying potential talents to be part of Boustead's Talent Management Programme to drive and lead initiatives under the Reinventing Boustead strategy

#### 6. PROVIDING BUSINESS OPPORTUNITIES



##### WHAT IT IS

Through business expansion, an organisation has greater positive impact on meeting national agenda while creating additional business opportunities by entering new markets, products and services to enhance capabilities for local ecosystem.

##### WHY IT IS IMPORTANT

While enhancing brand recognition for the organisation and retaining customers, an organisation that provides business opportunities is better able to reach out to new markets and diversify its revenue stream.

At the same time, we contribute towards meeting national aspirations such as developing vendors especially among SMEs and to support the development of local talents and capabilities.

##### OUR RESPONSE

- Promoting the development of local companies, especially SMEs, by providing business opportunities to vendors
- Facilitating training programme in various areas under our Vendor Development Programme
- Renewing MOU with Ministry of Entrepreneur Development and Cooperatives (MEDAC) to collaborate and cooperate in capacity building of local vendors under our VDP

## 7. IMPACT OF THE PANDEMIC



### WHAT IT IS

Since the World Health Organization (WHO) declared COVID-19 a pandemic in March 2020, it has spread across the globe, disrupting companies, organisations, businesses and livelihoods.

### WHY IT IS IMPORTANT

The pandemic has created unprecedented challenges for organisations, requiring proactive measures to safeguard their business, adapt to the new normal, fine tune their business models and upgrade information technology infrastructure (for remote working). This empowers businesses to operate in any location without the need to be at the workplace. In addition to saving cost and time to commute, working remotely also helps to reduce carbon footprint.

### OUR RESPONSE

- Introducing Work From Home (WFH) arrangements during MCO and gradually allowing employees to work at the office on a rotation basis to ensure continuity of operations
- Providing employees with laptops and virtual private network (VPN) to work remotely
- Protecting our systems and data with ICT Disaster Recovery Plan
- Adhering to all SOPs issued by Ministry of Health to keep employees safe

## 8. LABOUR PRACTICES AND HUMAN RIGHTS



### WHAT IT IS

Building an engaged, motivated, productive workforce, respecting labour and human rights through the following:

- i) Compliance with relevant acts
- ii) Embracing diversity and inclusion in a diversified workforce
- iii) Protecting the rights of workers (e.g. issues related to child/ forced labour, working hours and minimum wages)
- iv) Continuously building strong industrial relations and encouraging open dialogue with employees
- v) Conducting employee engagement surveys to gauge job satisfaction
- vi) Providing health benefits to employees
- vii) Promoting fair performance based remuneration

### WHY IT IS IMPORTANT

Having good labour practices and human rights policies not only ensures employee productivity and satisfaction but also enhances corporate image.

### OUR RESPONSE

- Complying with local employment laws and labour best practices.
- Adhering to BHIC's Code of Ethics and Conduct

## A. STRATEGIC REVIEW

### MATERIAL MATTERS

#### 9. RESEARCH AND DEVELOPMENT AND INNOVATION



##### WHAT IT IS

Developing and utilising innovation to improve product design and services, as well as to increase process and cost efficiency, with the aim of providing new products/services.

##### WHY IT IS IMPORTANT

Research and Development (R&D) activities drive organisational knowledge and technological capabilities while creating innovation in products and processes. R&D and innovation are key to staying ahead of the competition and retaining clients or consumers.

##### OUR RESPONSE

- Developed the first in-house Malaysian design for Offshore Support Vessels (OSV) classed by Bureau Veritas
- Developed in-house software that contributed to the successful delivery of the Submarine Technical Availability to RMN
- Developed in-house online training programmes
- Acquired the design rights to MEKO 100 patrol vessel

#### 10. WASTE AND WATER MANAGEMENT



##### WHAT IT IS

Managing waste and water including:

- i) Monitoring material consumption, waste generation and water consumption
- ii) Reducing usage of materials especially those materials with high waste impact
- iii) Ensuring compliance with regulatory requirements (e.g. storage and disposal for both hazardous and general waste)

##### WHY IT IS IMPORTANT

Stakeholders are conscious of environmental issues and aware of which organisations are acting responsibly in the community and environment. Good management of environmental issues strengthens an organisation's corporate image.

##### OUR RESPONSE

- Carry out proper storage of scheduled waste to be disposed by licensed appointed/certified contractors
- Launched a recycled scrap metal initiative as well as proper e-waste management
- Reducing paper consumption through greater use of digital communication, processes and documentation
- Regular maintenance of water pipes and immediate rectification of leakages

## 11. GREENHOUSE GAS EMISSIONS AND ENERGY MANAGEMENT



### WHAT IT IS

Managing greenhouse gas emissions (GHG), including initiatives to reduce emissions related to energy consumption, for example:

- i) Monitoring carbon data
- ii) Reducing electricity and fuel consumption in processes and transport

### WHY IT IS IMPORTANT

Stakeholders are conscious of environmental issues and aware of which organisations are acting responsibly in the community and environment. Good management of environmental issues strengthens an organisation's corporate image.

### OUR RESPONSE

- Adhering to BHIC SOPs on HSE Policy and upholding the highest standards of HSE in compliance with Factories and Machinery Act 1967, Environmental Quality Act 1974 and Occupational Safety and Health Act 1994
- Carrying out proper asset management and maintenance, ensuring equipment are able to function at optimum levels of energy efficiency
- Replacing conventional lights with LED lighting
- Switching off air conditioners and lights when people are not using particular spaces

## 12. COMMUNITY CONTRIBUTIONS AND DEVELOPMENT



### WHAT IT IS

Providing contributions to local communities (e.g. CSR activities, job opportunities, scholarships, donations).

### WHY IT IS IMPORTANT

We are able to enrich lives through our contributions to the community. The wellbeing of the surrounding communities has an impact on the wellbeing of an organisation. Hence, it is important for the organisation to maintain good relations with the community which hosts its operations.

### OUR RESPONSE

- Organised COVID-19 Vaccination Programme for employees
- Donated hand sanitisers to RMN and food baskets to employees affected by the Extended Movement Control Order and SIM cards and reloads for volunteers of COVID-19 Vaccination Programme organised by Perak Marine Department
- Donated books to Rumah Titian Kaseh, KL

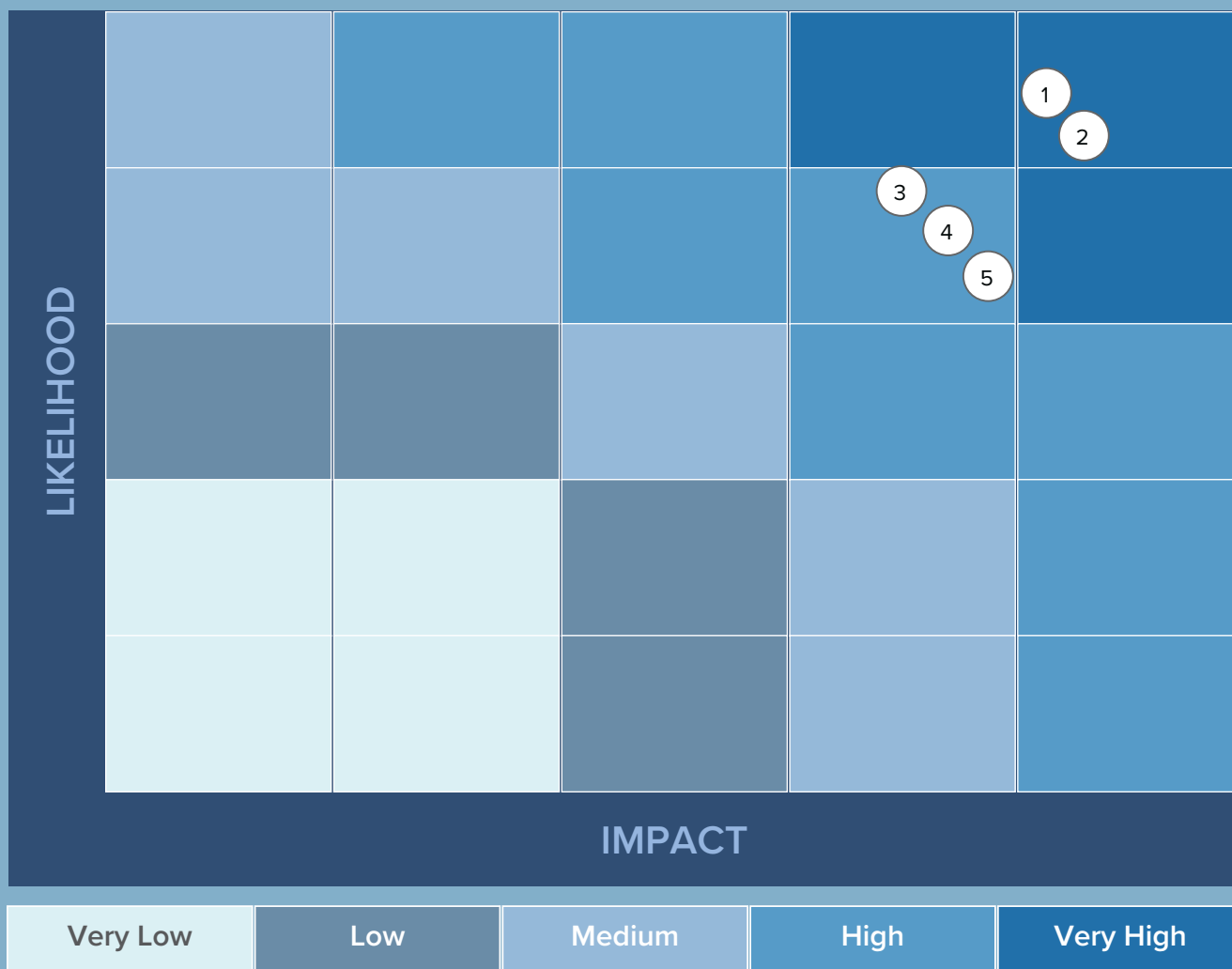


## A. STRATEGIC REVIEW: RISK OVERVIEW

# KEY RISKS AND MITIGATION

We have an established culture of managing key risks to our business. We believe effective risk management will safeguard the continuity of our operations and contribute to the achievement of our strategic objectives. Therefore, we ensure that our risk management processes are aligned with our business.

## KEY RISK AREAS



- ① Financial Risk
- ② Legal Risk
- ③ Contractual Risk
- ④ Pandemic Risk
- ⑤ Human Capital Management Risk

## 1 FINANCIAL RISK

RISK TREND



### RISK DESCRIPTION

Risks relating to or arising from delays in ongoing projects and the inability to secure major projects, impacting the Group's cash flow.

### POTENTIAL IMPACT

- Default in loan obligations.
- Insufficient financial resources to meet business obligations.
- Inability to meet Group's working capital cash requirements.

### MITIGATION

- Conducting regular reviews of cash projections and funding plans. Adequate cash and credit facilities are maintained to meet all short-term obligations.
- Moratorium on existing loans with financial institutions.
- Holding discussions and meetings with Ministry of Defence and Ministry of Finance on all Government projects.
- Diversifying business streams by bidding for MRO contracts from commercial shipowners.
- Revising payment terms with vendors.
- Implementing austerity measures to become more cost efficient.

## 2 LEGAL RISK

RISK TREND



### RISK DESCRIPTION

Legal actions taken by vendors and/or financial institutions against BNS/ BHIC due to delays or failure to fulfil contractual obligations.

### POTENTIAL IMPACT

- Disruption of operations.
- Impairment of public reputation.

### MITIGATION

- Continuously engaging with all OEMs, vendors and suppliers to update them on the status of projects.
- Engaging with external lawyers to establish processes and mechanism to handle existing and potential litigation actions.
- Continuously engaging with clients to seek an amicable way forward, and availability of funds to pay creditors either directly or through implementation of Scheme of Arrangement currently in motion.

## A. STRATEGIC REVIEW: RISK OVERVIEW

## KEY RISKS AND MITIGATION

## 3 CONTRACTUAL RISK

RISK TREND



## RISK DESCRIPTION

Non-renewal of the shipyard lease agreement with the local authorities.

## POTENTIAL IMPACT

- Disruption of operations
- Potential impact on future business opportunities

## MITIGATION

- Approval has been obtained from the Government for the extension of the lease for 30 years with effect from 1 September 2021 to 31 August 2051.

## 4 PANDEMIC RISK

RISK TREND



## RISK DESCRIPTION

The outbreak of contagious diseases specifically COVID-19 may have an adverse effect on the Company's business and financial condition, and operations.

## POTENTIAL IMPACT

- Disruption of operations.
- Health impact on employees.

## MITIGATION

- Monitoring the pandemic and implementing SOPs according to guidelines issued by Ministry of Health and National Security Council.
- Utilising online platforms optimally to conduct meetings to reduce the risk of infection.
- Issued periodical guidelines and advisory on COVID-19.
- Adopted and implemented preventive and precautionary health and safety measures to ensure the safety of employees and communities. These include, among others, the distribution of face masks, hand sanitisers, temperature screenings and COVID-19 screening.



## 5 HUMAN CAPITAL MANAGEMENT RISK

RISK TREND



### RISK DESCRIPTION

Unavailability of adequate manpower with the right skills and competency to steer the company into achieving its objectives.

Such a setback would also have an impact on the Group's sustainability and operations.

### POTENTIAL IMPACT

- Deferment/inability to execute the succession planning programme according to module due to BHIC's financial constraints.
- Disruption in BHIC Group's business sustainability and operations.

### MITIGATION

- Developing mobility programme that provides opportunities to employees to extend and expand their leadership skills and knowledge to achieve greater heights for personal growth.
- Embracing BHB's B100 (senior leadership and super talents) and B300 (high potential talents) to be part of Boustead's Talent Management Programme. The B300 are driving/leading projects and initiatives aimed at Reinventing Boustead.

**B. BUSINESS REVIEW**

# MARINE, AEROSPACE AND WEAPONS & COMBAT SYSTEMS SECTORS

**WHAT WE DO**

In the defence and security segment of the marine sector, we are primarily involved in shipbuilding and ship repair of naval vessels. Our key customer is the Royal Malaysian Navy (RMN). We also undertake maintenance, repair and overhaul (MRO) works for RMN's fleet of Prime Minister-class Scorpene submarines. In addition, we cater to commercial shipowners, the oil and gas industry and private vessel owners. In the aerospace sector, we provide a range of helicopter-related MRO services to the Royal Malaysian Air Force (RMAF), RMN and MMEA. We also provide MRO services for weapons and combat systems to the Malaysian Armed Forces.

**KEY FOCUS AREA**

- Marine – Shipbuilding, ship repair, MRO and training
- Aerospace – MRO of helicopters, manufacture of components and training
- Weapons and combat systems – MRO of naval guns, service, repair and integration of combat systems onboard naval ships

**BUSINESS ENVIRONMENT**

The overall environment for the shipbuilding and ship repair sector in 2021 was affected by the prolonged pandemic which impacted trade, offshore exploration and production activities as well as tourism and leisure-related marine activities. Although government contracts for defence related projects were still tendered, the commercial and marine leisure segments were particularly dampened.



## BUSINESS PERFORMANCE REVIEW

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Group restructuring for optimum operational and cost efficiencies	Rationalisation of business units by divesting/shutting down non-performing or non-core business units and merging companies to streamline operations and create synergies	<ul style="list-style-type: none"> <li>Operational closure of a wholly owned subsidiary company BHIC Navaltech Sdn Bhd and a JV company BHIC MSM Sdn Bhd</li> <li>Disposal of assets of Boustead Penang Shipyard Sdn Bhd</li> </ul>
Talent Development	Promoting talent and skills development through certification and transfer of know-how programmes	<ul style="list-style-type: none"> <li>Sponsored 23 employees to attend Project Management Professional certification (PMP) and 33 employees to attend Professional Engineer Development Programme (PEDP). As at end of 2021, BNS had two certified PMPs and three certified engineers under these programmes</li> <li>Increasing the number of qualified local technicians to undertake submarine MRO through Transfer of Know-How programme</li> <li>Encouraging our engineers to register with Malaysia Board of Technologists (MBOT), and currently have nine registered Professional Technologists</li> </ul>

**B. BUSINESS REVIEW****MARINE, AEROSPACE AND WEAPONS & COMBAT SYSTEMS SECTORS**

KEY PRIORITIES	KEY INITIATIVES	ACHIEVEMENTS
Business Diversification	Aerospace and marine expansion plan	<ul style="list-style-type: none"> <li>Signed an MoU with Airbus Defence and Space in June 2021 to explore collaboration in fixed wing military aircraft MRO</li> <li>Collaboration between BNS and Malaysia Offshore Support Vessels Owners' Association and Association of Marine Industries Malaysia in a Petronas Offshore Support Vessels (OSV) newbuild programme</li> </ul>
Enhancing operational efficiencies	Investment in digitalisation	<ul style="list-style-type: none"> <li>BNS has introduced real-time monitoring via:               <ul style="list-style-type: none"> <li>Internet-based Management Automated Reporting System (MARS) to monitor materials requisition, storage and usage in shipbuilding and ship repairs</li> <li>Engineering Change Request (ECR) and Quality Control Dashboard to improve productivity via data analysis</li> <li>MyBNS Digital Employee Experience (DEX) System encompassing e-Leave, e-Security, e-Gate Pass, Overtime Requests (Phase 1) &amp; HCM Self Services (Phase 1)</li> </ul> </li> <li>Boustead DCNS Naval Corporation Sdn Bhd (BDNC) has implemented:               <ul style="list-style-type: none"> <li>e-Hazardous application to monitor hazardous work permits</li> <li>Identity Detection System to record all employees, subcontractors and visitors to BDNC</li> <li>Equipment Tracking System to track the movement of equipment onto and out of the submarines</li> </ul> </li> </ul>

## 2021 ACHIEVEMENTS

KEY ACHIEVEMENTS	AWARDS
<ul style="list-style-type: none"> <li>• Award of new contracts and extension of existing ones</li> <li>• Submission of a proposal to revive the LCS project to the Government</li> <li>• First commercial lengthening/modification project for a locally-owned OSV with design, engineering, construction and installation activities carried out by BNS</li> <li>• Increase in the number of skilled workers and certified professionals among our employees</li> <li>• Increased pace of digitalisation</li> <li>• Successful integration of new navigation radar with the existing Combat Management System onboard six KEDAH class RMN ships by BDTS</li> </ul>	<ul style="list-style-type: none"> <li>• Malaysia National Business Award 2021 – Aerospace &amp; Defense (BDNC)</li> <li>• Malaysia Technology Excellence Awards 2021 – Software in Aerospace and Defense category (BDNC)</li> <li>• Malaysia Management Excellence Award 2021 – Team of the Year (The Deep Green Circle Team, BDNC)</li> <li>• Malaysia Management Excellence Award 2021 – Executive of the Year (Feroz Razi Ramli, CEO of BDNC)</li> <li>• Malaysian Society for Occupational Safety and Health – Gold Class 1 (BDNC)</li> <li>• Commendation to BHICAS by MMEA on the Integrated Maintenance and Logistics Support Services provided to its helicopter.</li> </ul>

## CHALLENGES AND RISKS

CHALLENGE	MITIGATION ACTION	RESULTS
Cashflow constraints due to tough operating environment and halting of the LCS project	Regular meetings to assess and manage the Company's cashflow position and obligations	Ability to meet loan obligations and operational commitments through effective financial and debt management
Uncertainties surrounding the LCS project	Engaging with all key stakeholders to come up with a proposal on the way forward for the LCS project	The Government announced in April 2022 that the Cabinet had agreed to continue with the LCS project

## OUTLOOK AND PROSPECTS

Economic recovery in 2022 will create a more conducive operating landscape for both our marine and aerospace businesses. The most significant factor for our defence business will be the recommencement of the LCS project. Once this resumes, our cash position will be substantially improved, providing the means for further diversification into the aerospace sector. In the commercial marine segment, we stand to benefit from increased activities in the oil and gas sector and in international trade. As international borders reopen and tourism recovers, we expect more leisure vessels and yachts to sail to Langkawi, stimulating activities at our shipyard on the island.

## C. PERFORMANCE REVIEW

## FIVE-YEAR GROUP FINANCIAL SUMMARY

		2021	2020	2019	2018	2017
<b>FINANCIAL PERFORMANCE</b>						
Revenue		<b>149,186</b>	145,200	168,920	169,113	277,647
Profit/(Loss) before taxation		<b>18,275</b>	(32,773)	(113,514)	(104,615)	11,770
Profit/(Loss) after taxation		<b>15,192</b>	(50,579)	(116,636)	(108,326)	10,576
Profit/(Loss) attributable to shareholders		<b>15,192</b>	(50,579)	(116,636)	(108,326)	10,576
Earnings/(Loss) per share	sen	<b>6.11</b>	(20.36)	(46.94)	(43.60)	4.26
<b>DIVIDENDS</b>						
Dividends for the year		–	–	–	3,727	12,423
Net dividend per share	sen	–	–	–	1.50	5.00
<b>GEARING</b>						
Borrowings		<b>287,446</b>	291,066	301,186	273,591	227,817
Net Gearing ratio	times	<b>3.57</b>	4.45	2.60	1.18	0.66
<b>OTHER FINANCIAL STATISTICS</b>						
Net assets per share	sen	<b>32</b>	26	47	94	139
Shareholders' equity		<b>80,592</b>	65,400	115,979	232,615	344,668
Total equity		<b>80,592</b>	65,400	115,979	232,615	344,668
Total assets		<b>455,259</b>	421,498	468,970	581,254	660,805

**Notes:**

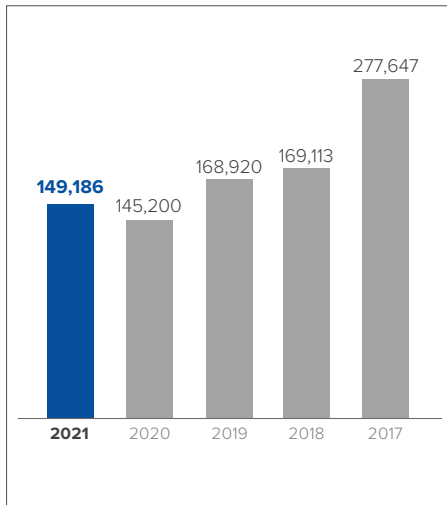
– All figures are in RM'000 unless otherwise stated.

## C. PERFORMANCE REVIEW

# FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

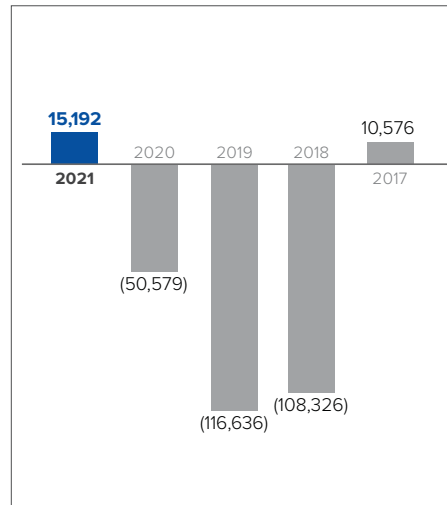
### REVENUE

(RM'000)



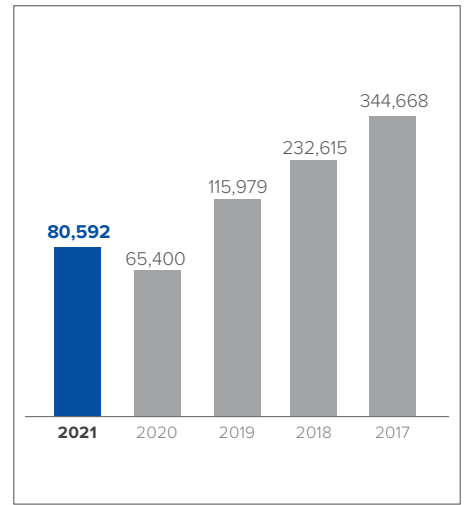
### PROFIT/(LOSS) AFTER TAXATION

(RM'000)



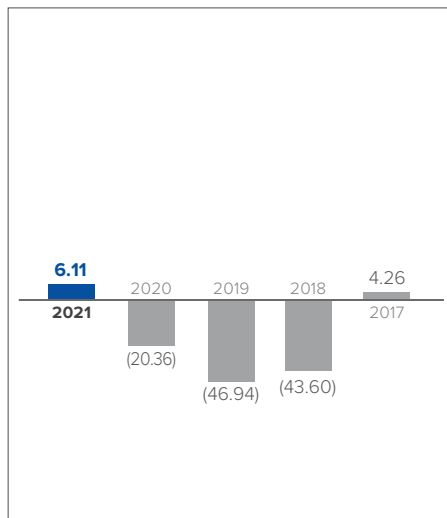
### SHAREHOLDERS' EQUITY

(RM'000)



### EARNINGS/(LOSS) PER SHARE

(sen)



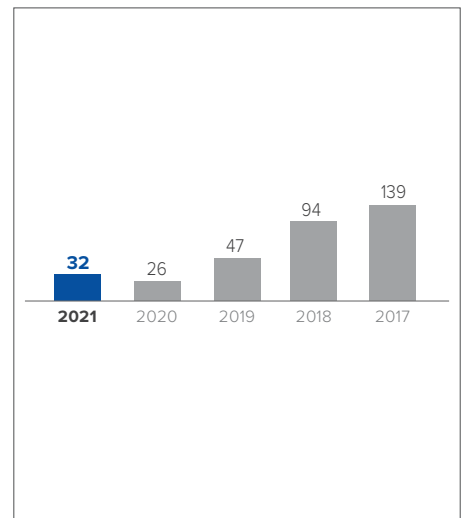
### NET DIVIDEND PER SHARE

(sen)



### NET ASSETS PER SHARE

(sen)





## C. PERFORMANCE REVIEW

## GROUP QUARTERLY PERFORMANCE

	Q1	Q2	Q3	Q4	2021
Revenue	18,944	47,154	43,325	39,763	149,186
(Loss)/Profit before taxation	(707)	15,601	14,745	(11,364)	18,275
(Loss)/Profit after taxation	(916)	12,301	11,781	(7,974)	15,192
(Loss)/Profit attributable to shareholders	(916)	12,301	11,781	(7,974)	15,192
(Loss)/Earnings per share sen	(0.37)	4.95	4.74	(3.21)	6.11

**Notes:**

– All figures are in RM'000 unless otherwise stated.



## C. PERFORMANCE REVIEW

## FINANCIAL CALENDAR

## → ANNUAL GENERAL MEETING

BHIC's **50<sup>th</sup> Annual General Meeting** will be conducted entirely through live streaming from the broadcast venue at Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810, Petaling Jaya on Wednesday, 15 June 2022 at 9:30 a.m.



Notice date: **29 April 2022**



Meeting date: **15 June 2022**



Conducted entirely through live streaming



**Broadcast Venue**  
Royale Chulan Damansara

**Online Platform**  
TIH Online Website at <https://tiih.online> with Remote Participation and Voting facilities



**Date**  
Wednesday,  
15 June 2022 at  
9:30 a.m.



**INTEGRATED REPORT 2022**



**ISSUED  
29 APRIL 2022**



**FINANCIAL YEAR**



**1 JANUARY to  
31 DECEMBER 2021**



**ANNOUNCEMENT OF FINANCIAL RESULTS**

First Quarter ended 31 March 2021

➡ **Announced on 31 May 2021**

Second Quarter ended 30 June 2021

➡ **Announced on 25 August 2021**

Third Quarter ended 30 September 2021

➡ **Announced on 24 November 2021**

Fourth Quarter ended 31 December 2021

➡ **Announced on 24 February 2022**

# SECTION

## 05

### LEADERSHIP

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**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

**DATO' SRI MOHAMMED SHAZALLI RAMLY**

Non-Independent Non-Executive Director

**DATO' AHMAD NAZIM ABD RAHMAN**

Non-Independent Non-Executive Director

**DATUK HAJI NASARRUDDIN DATO' M ZIN**

Independent Non-Executive Director

**IRFAN HASHIM**

Alternate to Dato' Ahmad Nazim Abd Rahman

**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  
Tan Sri Dato' Wira Aziah Ali  
Hajah Saadatul Nafisah Bashir Ahmad  
Tan Sri Ramlan (*Resigned effective  
11 June 2021*)

**NOMINATING & REMUNERATION  
COMMITTEE**

Rozi Baharudin – Chairman  
Hajah Saadatul Nafisah Bashir Ahmad  
Vice Admiral Dato' Syed Zahiruddin  
Putra Syed Osman (Retired)  
Admiral Tan Sri Dato' Seri Ramlan  
Mohamed Ali (Retired)  
(*Resigned effective 11 June 2021*)

**RISK COMMITTEE**

Vice Admiral Dato' Syed Zahiruddin  
Putra Syed Osman (Retired) – Chairman  
(*Redesignated as Chairman on  
25 August 2021*)  
Izaddeen Daud  
(Dr.) Salihin Abang  
Dato' Maznah Abdul Jalil

**SUSTAINABILITY COMMITTEE**

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

**CHIEF EXECUTIVE OFFICER**

Sharifuddin Md. Zaini Al-Manaf

**COMPANY SECRETARY**

Rozana Ismail  
(SSM PC No: 201908003365)  
(LS 0008847)

**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



# BOARD AT A GLANCE

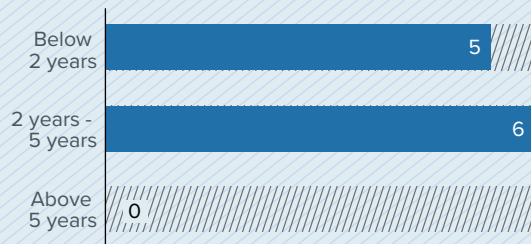
## BOARD DESIGNATION

- 1** Senior Independent Non-Executive Director (SINED)
- 6** Independent Non-Executive Director (INED)
- 4** Non-Independent Non-Executive Director (NINED)

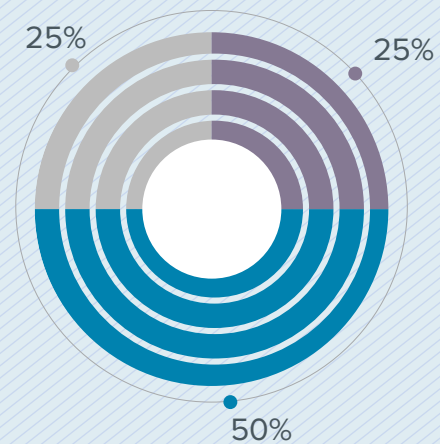
## NATIONALITY



## BOARD TENURE



## AGE



## GENDER



- 51 – 60 Years (3) – 25%
- 61 – 70 Years (6) – 50%
- 50 Years & below (3) – 25%

# BOARD OF DIRECTORS



**Rozi Baharudin**  
Senior Independent  
Non-Executive Director



**Hajah Saadatul Nafisah  
Bashir Ahmad**  
Independent Non-Executive Director



**(Dr.) Salihin Abang**  
Independent  
Non-Executive Director



**Izaddeen Daud**  
Non-Independent  
Non-Executive Director



**Datuk Haji Nasarruddin  
Dato' M Zin**  
Independent Non-Executive  
Director



**Dato' Ahmad Nazim  
Abd Rahman**  
Non-Independent  
Non-Executive Director





**Tan Sri Dato' Wira Aziah Ali**

Independent  
Non-Executive Director



**Dato' Maznah Abdul Jalil**

Non-Independent  
Non-Executive Director



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

Independent  
Non-Executive Director



**Datuk Norliza  
Abdul Rahim**

Independent  
Non-Executive Director



**Dato' Sri Mohammed  
Shazalli Ramly**

Non-Independent  
Non-Executive Director



**Irfan Hashim**

Alternate to Dato' Ahmad Nazim  
Abd Rahman



# PROFILE OF DIRECTORS



## ROZI BAHARUDIN

Senior-Independent Non-Executive Director



Nationality: Malaysian



Gender: Female



Age: 63



Date of Appointment: 2 January 2019



Length of Service: 3 years



Date of last Re-election: 21 July 2020

### BOARD COMMITTEE(S)

- Nominating & Remuneration Committee – Chairman
- Corporate Austerity Committee – Member (*Dissolved on 7 July 2021*)

### BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 10/10

### QUALIFICATION

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

### WORKING EXPERIENCE

- 1988 to 1992 – Head, Human Resource Consultancy Division, KPMG Peat Marwick
- 1990 (May to August) – Seconded to KPMG Peat Marwick, London, UK
- 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, UK (July 2014).

### 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

- Nil

### CONFLICT OF INTERESTS WITH THE COMPANY

- Nil

### OTHER THAN TRAFFIC OFFENCES, ANY CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND OTHER PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

- Nil


**TAN SRI DATO' WIRA AZIAH ALI**

Independent Non-Executive Director



Nationality: Malaysian



Gender: Female



Age: 70



Date of Appointment: 10 July 2019



Length of Service: 3 years



Date of last Re-election: 23 June 2021

**BOARD COMMITTEE(S)**

- Audit Committee – Member
- Sustainability Committee – Chairman
- Corporate Austerity Committee – Member (*Dissolved on 7 July 2021*)
- Finance Committee – Member (*Dissolved on 7 July 2021*)

**BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 10/10

**QUALIFICATION**

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

**WORKING EXPERIENCE**

- Vast experience in law and served the Government of Malaysia for over 40 years in various positions in the judicial and legal services. Held various positions including Legal Advisor, Judicial Commissioner, High Court Judge and Court of Appeal Judge. Elevated as a Federal Court Judge on 21 March 2016 and retired on 22 November 2018
- Member, Securities Industries Dispute Resolution Centre (SIDREC) Appeals Committee
- 1 November 2020 to present – Commissioner, Enforcement Agency Integrity Commission

**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**

- Nil

**CONFLICT OF INTERESTS WITH THE COMPANY**

- Nil

**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: Malaysian



Gender: Female



Age: 69



Date of Appointment: 10 July 2019



Length of Service: 3 years



Date of last Re-election: 23 June 2021

### BOARD COMMITTEE(S)

- Risk Committee – Member
- Sustainability Committee – Member
- Finance Committee – Chairman (*Dissolved on 7 July 2021*)

### BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 10/10

### 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

### 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 to 2016 – 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)
- 2018 to April 2020 – Director, FELCRA Berhad
- 2011 to present – Chairman, SCS Global Advisory (M) Sdn Bhd (Corporate Advisory Services)
- 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 Mills Berhad
- November 2021 to present – Director, Cahya Mata Sarawak Berhad

### DETAILS OF ANY INTEREST IN THE SECURITIES OF BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD

- Nil

### DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES

- Malayan Flour Mills Berhad
- InNature Berhad
- Cahya Mata Sarawak Berhad

### DIRECTORSHIP IN PUBLIC COMPANIES

- Nil

### FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER OF THE COMPANY

- Nil

### CONFLICT OF INTERESTS WITH THE COMPANY

- Nil

### 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: Malaysian



Gender: Male



Age: 49



Date of Appointment: 10 July 2019



Length of Service: 3 years



Date of last Re-election: 21 July 2020

**BOARD COMMITTEE(S)**

- Audit Committee – Chairman
- Risk Committee – Member
- Finance Committee – Member (*Dissolved on 7 July 2021*)

**BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 10/10

**QUALIFICATION**

- 1997 – Bachelor of Accounting, International Islamic University 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, International Islamic University 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 UK
- 2017 – Honorary Member, Institute of Cooperative and Management Auditors
- 2018 – Honorary Doctorate Degree in Management, Universiti Malaysia Terengganu
- 2020 – Certified Public Accountant, Malaysian Institute of Certified Public Accountants
- 2021 – Qualified Risk Director, Institutes of Enterprise Risk Practitioners

**WORKING EXPERIENCE**

- 2002 to present – Founder & Group Managing Partner – SALIHIN Chartered Accountants
- 2015 to 2019 – Council and President, Malaysian Institute of 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
- Boustead Plantations Berhad

**DIRECTORSHIP IN PUBLIC COMPANIES**

- Wasiyyah Shopee Berhad

**FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER OF THE COMPANY**

- Nil

**CONFLICT OF INTERESTS WITH THE COMPANY**

- Nil

**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: Malaysian



Gender: Female



Age: 67



Date of Appointment: 10 July 2019



Length of Service: 3 years



Date of last Re-election: 21 July 2020

#### BOARD COMMITTEE(S)

- Audit Committee – Member
- Nominating & Remuneration Committee – Member
- Sustainability Committee – Member
- Finance Committee – Member (*Dissolved on 7 July 2021*)

#### BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 10/10

#### 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

#### 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
- 2016 to 2019 – International Consultant, Asian Development Bank

#### 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

- Nil

#### CONFLICT OF INTERESTS WITH THE COMPANY

- Nil

#### 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: Malaysian



Gender: Male



Age: 63



Date of Appointment: 21 August 2019



Length of Service: 3 years



Date of last Re-election: 21 July 2020

#### BOARD COMMITTEE(S)

- Risk Committee – Chairman (Redesignated as Chairman 25 August 2021)
- Nominating & Remuneration Committee – Member

#### BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 10/10

#### QUALIFICATION

- 1978 – Britannia Royal Naval College, Dartmouth, UK
- 1996 – 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, USA

#### WORKING EXPERIENCE

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

#### 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

- Nil

#### CONFLICT OF INTERESTS WITH THE COMPANY

- Nil

#### 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: Malaysian



Gender: Male



Age: 54



Date of Appointment: 11 June 2020



Length of Service: 2 years



Date of last Re-election: 21 July 2020

### BOARD COMMITTEE(S)

- Risk Committee – Chairman (*Redesignated as Member on 25 August 2021*)
- Sustainability Committee – Member
- Finance Committee – Member (*Dissolved on 7 July 2021*)

### BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 9/10

### 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, UK

### 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

- November 2020 to present – Acting CEO, Boustead Properties Berhad
- 1 March 2021 to present – Deputy Group Managing Director, Boustead Holdings Berhad

### 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

- Nil

### CONFLICT OF INTERESTS WITH THE COMPANY

- Nil

### 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: Malaysian



Gender: Female



Age: 53



Date of Appointment: 1 September 2020



Length of Service: 2 years



Date of last Re-election: 23 June 2021

**BOARD COMMITTEE(S)**

- Corporate Austerity Committee – Chairman (*Dissolved on 7 July 2021*)
- Finance Committee – Member (*Dissolved on 7 July 2021*)

**BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 9/10

**QUALIFICATION**

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

**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 – Senator, Dewan Negara
- 2009 to current – Director, Koperasi Melayu Bukit Gelugor, Pulau Pinang
- 2018 to 2021 – Member, Supreme Council, UMNO
- 28 August 2018 to present – KUB Malaysia Berhad
- 8 August 2021 to present – Chairman, Boustead Hotels & Resort
- 8 November 2021 to present – Chairman, UDA Holdings Berhad

**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**

- UDA Holdings Berhad

**FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER OF THE COMPANY**

- Nil

**CONFLICT OF INTERESTS WITH THE COMPANY**

- Nil

**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: Malaysian



Gender: Male



Age: 61



Date of Appointment: 4 March 2021



Length of Service: 1 year



Date of last Re-election: 23 June 2021

#### BOARD COMMITTEE(S)

- Nil

#### BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 8/10 as he was appointed to the Board on 4 March 2021

#### QUALIFICATION

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

#### 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 UK
- 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

#### 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

- Nil

#### CONFLICT OF INTERESTS WITH THE COMPANY

- Nil

#### OTHER THAN TRAFFIC OFFENCES, ANY CONVICTIONS FOR OFFENCES WITHIN THE PAST 5 YEARS AND OTHER PARTICULARS OF ANY PUBLIC SANCTION OR PENALTY IMPOSED BY THE RELEVANT REGULATORY BODIES DURING THE FINANCIAL YEAR

- Nil


**DATO' AHMAD NAZIM ABD RAHMAN**

Non-Independent Non-Executive Director



Nationality: Malaysian



Gender: Male



Age: 47



Date of Appointment: 12 October 2021



Length of Service: Less than 1 year



Date of last Re-election: –

**BOARD COMMITTEE(S)**

- Nil

**BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR**

- 1/3 as he was appointed to the Board on 12 October 2021

**QUALIFICATION:**

- Master of Public Affairs (Economics and Public Policy), Institut d'Etudes Politiques de Paris - Sciences Po, Paris
- Master of Laws (UM) (J William Fulbright Fellow), Georgetown University, Washington DC, USA
- Bachelor of Laws (LLB) (Honours), International Islamic University Malaysia

**WORKING EXPERIENCE**

- June 2001 to June 2007 – Senior Associate, Securities Commission
- June 2007 to December 2008 – Associate, Norton Rose Fulbright LLP, London April 2009 to April 2012 – Director, National Bank of Abu Dhabi, United Arab Emirates
- April 2012 to April 2016 – Member of the Board, National Bank of Abu Dhabi (M) Bhd/Chairman of Risk Management Committee
- July 2013 to October 2018 – Chief Executive Officer, Pelaburan MARA Berhad
- May 2015 to June 2021 – Member of the Board, Regulus Advisors Pte Ltd., Singapore
- October 2019 to June 2021 – Managing Director (Southeast Asia), Allied Investment Partners PJSC, Singapore

- April 2020 to August 2021 – Member of the Board, National Higher Education Fund Corporation (PTPTN)
- May 2020 to present – Member of the Board/Chairman of Economic Committee, Energy Commission
- June 2021 to present – Chief Executive, Lembaga Tabung Angkatan Tentera

**DETAILS OF ANY INTEREST IN THE SECURITIES OF BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD**

- Nil

**DIRECTORSHIP IN OTHER PUBLIC LISTED COMPANIES**

- Boustead Holdings Berhad

**DIRECTORSHIP IN PUBLIC COMPANIES**

- Nil

**FAMILY RELATIONSHIP WITH ANY DIRECTOR AND OR MAJOR SHAREHOLDER OF THE COMPANY**

- Nil

**CONFLICT OF INTERESTS WITH THE COMPANY**

- Nil

**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



### DATUK HAJI NASARRUDDIN DATO' M ZIN

Independent Non-Executive Director



Nationality: Malaysian



Gender: Male



Age: 59



Date of Appointment: 27 January 2022



Length of Service: Less than 1 year



Date of last Re-election: –

#### BOARD COMMITTEE(S)

- Nil

#### BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- Nil as he was appointed: to the Board on 27 January 2022

#### QUALIFICATION

- 1988 – Bachelor of Science In Business Administration (Management), California State University, Sacramento, USA

#### WORKING EXPERIENCE

- 2021 to present – Director, Institut Koperasi Malaysia
- 2021 to 2022 – Chairman, Visiting Board Hospital Tengku Ampuan Rahimah, Klang
- 2013 to 2022 – Division Chief, UMNO Klang
- 2020 to 2022 – Director, Port Kiang Free Zone Sdn Bhd
- 2015 to 2018 – Advisor, Sapura Defence Sdn Bhd
- 2016 – Advisor, Ranhill Bersekutu Sdn Bhd
- 2015 to 2018 – Director, Lembaga Pelabuhan Klang
- 1994 to 2016 – Director, Pembinaan Setia Abadi Sdn Bhd

#### 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

- Nil

#### CONFLICT OF INTERESTS WITH THE COMPANY

- Nil

#### 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



### IRFAN HASHIM

Non-Independent Non-Executive Director  
(Alternate to Dato' Ahmad Nazim Abd Rahman)



Nationality: Malaysian



Gender: Male



Age: 39



Date of Appointment: 12 October 2021



Length of Service: Less than 1 year



Date of last Re-election: –

#### BOARD COMMITTEE(S)

- Nil

#### BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 3/3 as he was appointed to the Board on 12 October 2021

#### QUALIFICATION

- Chartered Financial Analyst (CFA), CFA Institute (Charter holder since July 2010)
- Bachelor of Engineering in Electrical Engineering (1st Class Hons), University of Southampton, UK

#### WORKING EXPERIENCE

- 2006 to 2014 – Corporate Finance Department, Permodalan Nasional Berhad
- February 2011 to September 2011 – Seconded to UMW Holdings Berhad
- October 2013 to January 2014 – Attachment with Wasserstein & Co, LP, New York Office
- 2015 to 2019 – Assistant Vice President, Private Equity, Kumpulan Wang Persaraan
- February 2020 to present – Head of Corporate Finance, Lembaga Tabung Angkatan Tentera (LTAT)

#### 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

- Nil

#### CONFLICT OF INTERESTS WITH THE COMPANY

- Nil

#### 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



**LOW KOK CHIANG**  
Chief Operating Officer  
Boustead Naval Shipyard Sdn Bhd



**AHMAD FAZIL MOHD FAUZI**  
Chief Financial Officer



**SHARIFUDDIN MD. ZAINI AL-MANAF**

Chief Executive Officer

**IR. AZHAR JUMAAT**

Director  
Littoral Combat Ship Programme

**JAL SHAZIDI BASSARI**

Littoral Mission Ship Programme Person in Charge





# PROFILE OF SENIOR MANAGEMENT TEAM

## SHARIFUDDIN MD. ZAINI AL-MANAF

Chief Executive Officer



1 April 2020



52



Malaysian



Male

### 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 Kingdom

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

Nil

Conflict of interests with the Company

Nil

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

## LOW KOK CHIANG

Chief Operating Officer

Boustead Naval Shipyard Sdn Bhd



1 April 2020



47



Malaysian



Male

### 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 of Science in Marine Technology, University of Newcastle Upon Tyne, England

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

Nil

Conflict of interests with the Company

Nil

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

Nil

**AHMAD FAZIL MOHD FAUZI**

Chief Financial Officer



1 August 2021



38



Malaysian



Male

**Working experience:**

- 2007 to 2015 – Accountant, Boustead Holdings Berhad (BHB)
- 2015 to 2018 – Financial Controller, BHB
- 2018 to 2021 – Head of Group Internal Audit, Risk Management and Integrity & Governance, BHB
- 2021 to present – Chief Financial Officer, BHIC

**Qualification:**

- 2006 – Bachelor of Commerce (Majoring in Accounting and Finance), Deakin University, Melbourne, Australia
- 2011 – Certified Public Accountant, Malaysian Institute of Certified Public Accountants
- 2012 – 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**

Nil

**Directorship in public companies**

Nil

**Family relationship with any director and or major shareholder of the Company**

Nil

**Conflict of interests with the Company**

Nil

**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

**JAL SHAZIDI BASSARI**

Person in Charge

Littoral Mission Ship Programme



18 July 2009



55



Malaysian



Male

**Working experience:**

- 1988 to 2009 – Assistant Chief of Staff, Fleet Refit Authority Royal Malaysian Navy
- 2009 to 2009 – Senior Manager, Yard Services, BNS
- 2009 to 2011 – Deputy CEO, Boustead DCNS Naval Corporation Sdn Bhd
- 2011 to 2014 – Senior Project Manager, BPS ISS Submarine Division
- 2014 to 2015 – Head, BPS ISS Submarine, BPS Submarine Operational Support Unit
- 2015 to 2017 – Assistant General Manager, BHIC Submarine Engineering Services Sdn Bhd
- 2017 to 2018 – Head, Submarine Facilities Services, BHIC Submarine Engineering Services Sdn Bhd
- 2018 to 2022 – Assistant General Manager, LMS Programme
- Present – Person In-Charge, LMS Programme

**Qualification:**

- 1987 – Diploma in Marine Engineering Universiti Teknologi Malaysia
- 1999 – Diploma in Defence & Strategic Studies Universiti Malaya

**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**

Nil

**Conflict of interests with the Company**

Nil

**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 SENIOR MANAGEMENT TEAM

### Ir. AZHAR JUMAAT

Director

Littoral Combat Ship Programme



15 February 2016



49



Malaysian



Male

#### 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, USA
- 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

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

Nil

Conflict of interests with the Company

Nil

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

# HEADS OF BUSINESS UNITS



**JEFFRY FAISAL**

Chief Executive Officer  
BHIC Submarine Engineering Services Sdn Bhd



**DEVA DASS BABOO**

Head  
BHIC Defence Techservices Sdn Bhd



**MD SALLEH ABDULLAH**

Acting Chief Operating Officer  
BHIC Marine Technology Academy Sdn Bhd



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

Chief Executive Officer  
BHIC AeroServices Sdn Bhd



**AZHAR ABDULLAH**

Chief Executive Officer  
BHIC Bofors Asia Sdn Bhd



**FEROZ RAZI RAMLI**

Chief Executive Officer  
Boustead DCNS Naval Corporation Sdn Bhd



**MOHAMED RAZIFF ABDUL HAMID**

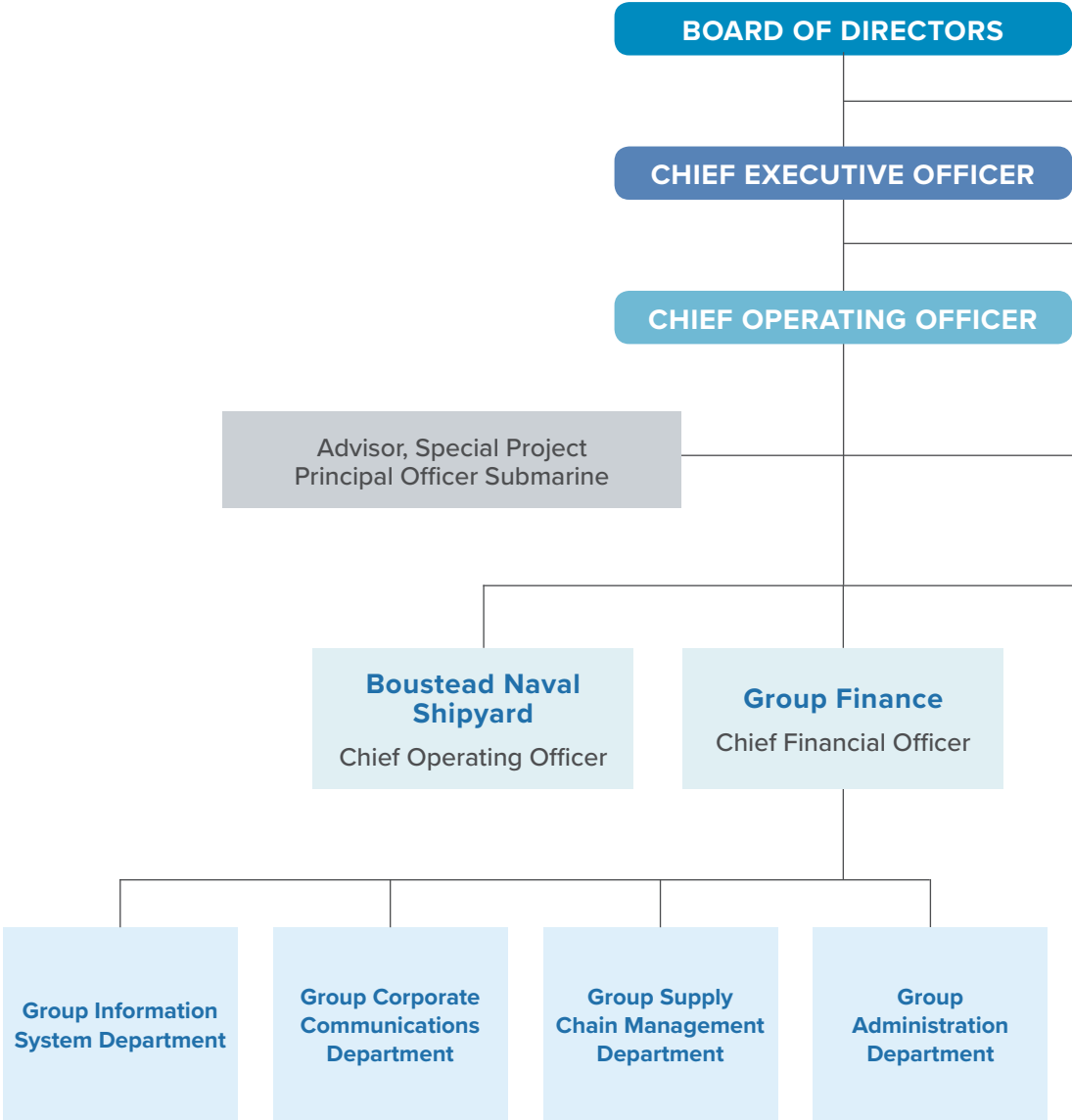
General Manager  
Airbus Helicopters Simulation Center Sdn Bhd



**SITI SALWA ABU BAKAR**

Acting Head  
Boustead Langkawi Shipyard Sdn Bhd

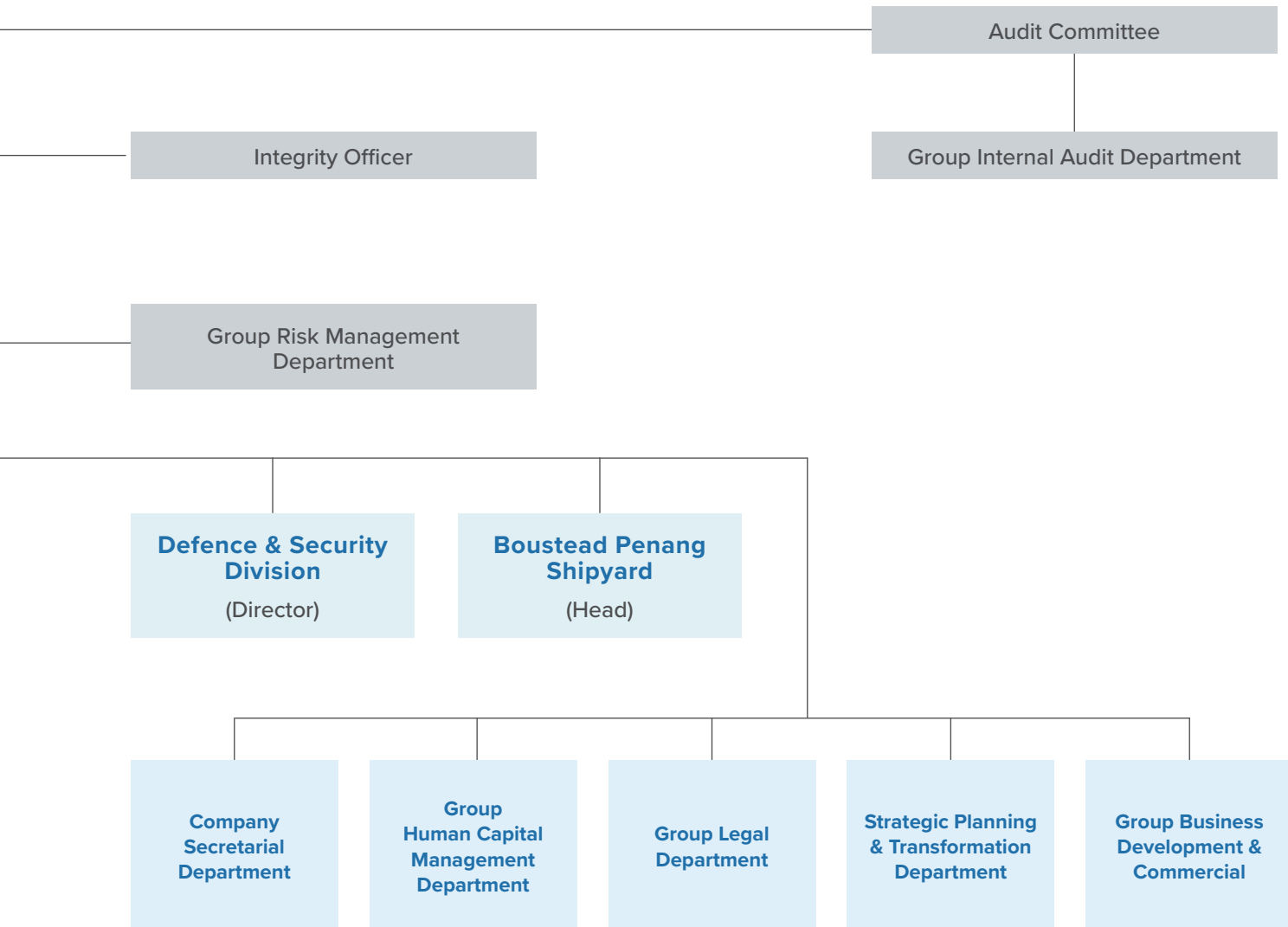
# ORGANISATION STRUCTURE



Employee demographics  
**Male: 78%**  
**Female: 22%**



Total expenditure for training and talent development  
**RM0.5 million**



**56.6%** of employees are aged **40 years or below**

#### Management Gender Diversity

**9**  
MALES



**4**  
FEMALES



# SECTION

# 06

## GOVERNANCE

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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement sets out the principal features of BHIC Group's corporate governance approach, summary of corporate governance practices during the year under review as well as key focus areas and future priorities in relation to corporate governance. The Corporate Governance Overview Statement is made pursuant to paragraph 15.25(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR). Guidance was also 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 updated as of 28 April 2021 (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, the Statement on Risk Management and Internal Control, Audit Committee Report and Sustainability Report.

## OUR CORPORATE GOVERNANCE APPROACH

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

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

promote heightened accountability at the leadership level, namely Board and Senior Management



adopt in substance the 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



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

The Board is committed in ensuring that there is a strong and effective system of corporate governance in place to support the successful execution of the Company's strategies.

As a Company driven by its responsibility to shareholders and a broader group of stakeholders, good governance for BHIC is imperative to its long-term success. The Board embraces transparency and accountability in the boardroom and promotes these critical components of governance throughout the Company.

An important role of corporate governance is to ensure sustainable long-term performance, maximise returns for stakeholders and create long-term economic value and growth.

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 2021 except:

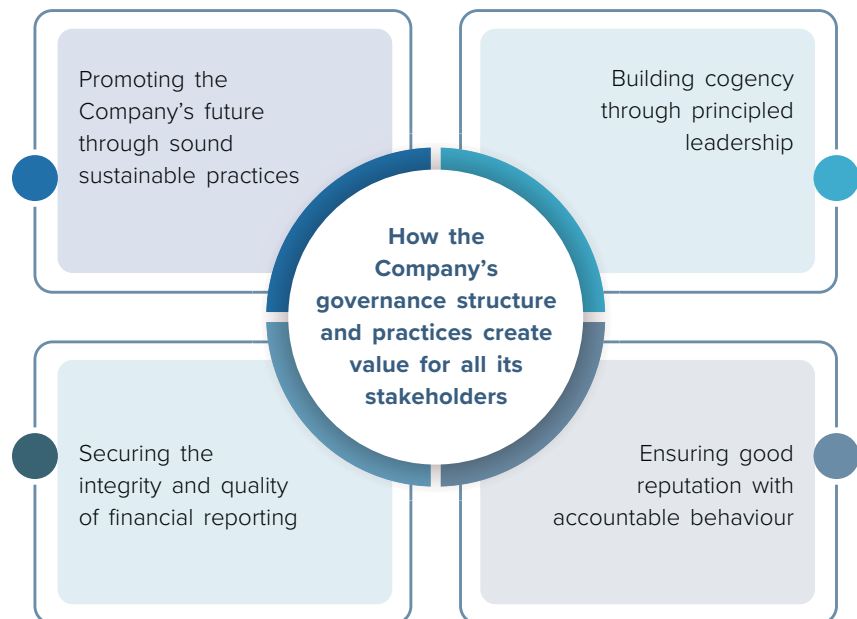
- Practice 6.1 (Remuneration Policy for Directors and Senior Management);
- Practice 7.2 (Disclosure of the top five senior management personnel's remuneration on a named basis in bands of RM50,000); and

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

## CORPORATE GOVERNANCE FRAMEWORK

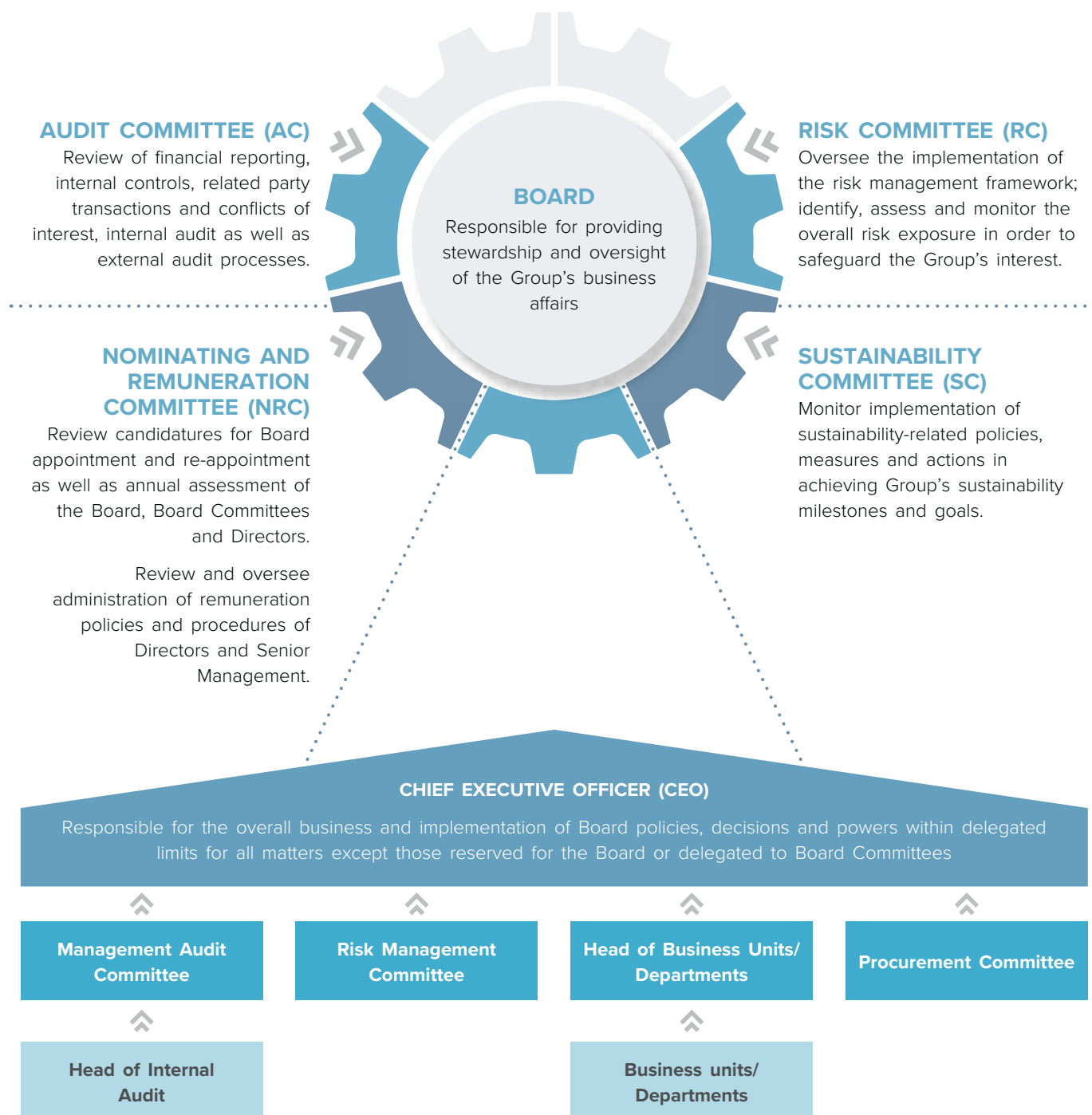
To ensure prudent and effective control of the operations in the Company, the Board adheres to the Company's Corporate Governance Framework and works to ensure that the Company's governance structure continues to remain appropriate and are reviewed when necessary.

The Board discharges its responsibilities within a clear defined governance framework and robust mechanisms in place. Through this framework, the Board, without abdicating its responsibilities, delegates its governance responsibilities to key Committees of the Board and other Working Committees. The Board retains ultimate accountability and responsibility for the performance and affairs of the Company.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The table below illustrates the Group's governance structure, an overview of the Board Committees and Working Committees:



## The Board Charter

The Board and the Board Committees are guided by a Board Charter and the respective Terms of Reference (TOR) which sets out the ethos of the Board and the Board Committees as well as its structure and authority. The Board Charter is a primary document that elucidates on the governance of the Board, Board Committees and individual Directors.

Aside from setting out the governance structure, authority and TORs of the Board its Committees and Management, as well as clearly identifying their respective roles and responsibilities and what is expected of them in terms of commitment, the Board Charter sets out the issues and decisions reserved for the Board.

The Board Charter and the TORs of the Board Committees are made available on the BHIC's website at [www.bhic.com.my](http://www.bhic.com.my) and were last reviewed on 20 November 2019.

### Board's Roles and Responsibilities

The Board is collectively responsible for the overall leadership of the Company, meeting its objectives and goals and for promoting its long-term sustainability and success within a framework of prudent and effective controls.

In discharging its functions, the main roles and responsibilities of the Board are as follows:



To review, approve and monitor the strategic business plans, goals and key policies proposed by the Management



To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed



To review and approve financial statements



To review and manage principal risks and adequacy of BHIC's internal control systems



To ensure there is an appropriate succession plan for members of the Board and Senior Management



To be accountable to its shareholders and to some extent, accountability towards a wider range of stakeholders affected by BHIC's decisions, such as employees, vendors and suppliers, customers and the local community where BHIC operates



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board safeguards stakeholder value creation and ensures that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental, social and governance (ESG) considerations, which in turn will strengthen the integration of sustainability in the Company's operations.

Together with Management, the Board promotes good corporate governance culture within the Company ensuring honest and ethical leadership, prudent and professional behaviour in the conduct of its business and in all aspects of its business operations.

Prudent and effective controls make it possible for the Board to assess and manage emerging risks and opportunities continuously to ensure long-term sustainable development and growth.

The balance on the Board with the presence of Non-Executive Directors (NEDs) ensures that no individual or small group of Directors are able to dominate the decision-making process and that the interests of shareholders are protected. The Board considers each NED to be independent in character and judgement.

The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities. The current composition of Directors has a blend of skills, experience and knowledge enabling them to provide effective oversight, strategic guidance and constructive challenge and decide on Management's proposals and empower the CEO to implement strategies approved by the Board.

During the year under review, the Board deliberated on business strategies and critical issues concerning the Group, including its business plan, annual budget, significant acquisitions and disposals, financial results as well as key performance indicators.

### Attendance at Board Meetings

The Board meets at least four scheduled meetings a year with additional meetings convened as and when necessary. Relevant members of the Management attend Board meetings by invitation and report to the Board on matters pertinent to their respective areas of responsibility.

The Chairman and the Company Secretary ensure that Directors receive clear and timely information on all relevant matters. Board and Board Committee papers and reading materials are circulated at least five business days ahead of a meeting to ensure there is adequate time for the Directors to read, have an understanding of the subject matter, be prepared to deal with matters to be discussed at the meeting to enable the Board and Board Committees to make effective decisions. This facilitates a robust and informed discussion by the Board, ensuring that opportunities are given to all Directors to participate and contribute to an effective decision-making process.

The Directors can access the Board papers online through a secured collaborative software and confer with other Board members and the Company Secretaries electronically. The software eases the process of distribution of meeting papers and minimises leakage of sensitive and confidential information.

Presentations to the Board are prepared and delivered in a manner that ensures clear and adequate understanding of the subject matter.

The Minutes of Board meetings accurately reflect the deliberations and decisions of the Board, including any dissenting views and for any conflict of interests, such disclosure would be recorded and that particular Director(s) shall abstained from voting or deliberating on a particular matter.

All Directors have unrestricted access to the Management and the Company Secretaries who are qualified to act as company secretary in accordance with Section 235 of the Companies Act 2016 (CA 2016). Both Company Secretaries act as advisors to the Board particularly with regard to the Company's Constitution, policies and procedures and its compliance with regulatory requirements, codes, guidelines and legislations. The Company Secretaries ensure that discussions and deliberations at the Board and Board Committee meetings are well documented and communicated to the relevant Management for appropriate actions.

If required, the Directors, whether as a full Board or in their individual capacity, may seek independent professional advice on matters in furtherance of their duties and at the Company's expense.

The Board is satisfied with the performance of the Company Secretaries to the Board in discharging their functions during the year under review.

All Directors complied with the minimum attendance requirement of 50% of Board meetings held during the year under review. The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities.



The COVID-19 pandemic had changed the way the Board and the Management undertook their respective activities. Board and Board Committee meetings were carried out online during the year under review.

In order for the Board to effectively manage the Company's crisis management, the Board met on a regular basis throughout the year under review to monitor the impact of the COVID-19 pandemic on the Company's operations and how the Management was responding to the developments and following through with the initiatives taken by the Company for the continuity of its operations while continuously fostering a safe working environment for its employees.

The Board conducted 10 meetings during the year under review. Due to the COVID-19 pandemic the Board meetings continued to be held via an online platform. Aside from Board meetings urgent matters were also decided via Directors' Circular Resolutions which had set out details and approvals required for the proposal(s).

In discharging their responsibilities during Board and Board Committee meetings, the Board and Board Committees practice active and open discussions so as to ensure that opportunities are given to all Directors to participate and contribute to the decision-making process. Robust discussions and intense deliberations at these meetings ensure that the process of constructive and healthy dialogue is achieved.

Directors must immediately declare if they have any interest in transactions that are to be entered into directly or indirectly with the Company. They must disclose the extent and nature of their interest at a Board meeting or as soon as practicable after they become aware of the conflict of interest. They must abstain from participating and voting in the deliberation and Board decision on the matter as he/she is an interested party.

Attendance of individual Directors at Board and Board Committee meetings during the year under review is shown below:

Director	Board	AC	NRC	RC	SC
<b>Non-Independent Non-Executive Directors</b>					
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired) (Resigned effective 11 June 2021)	5/5	8/8	6/6	–	–
Dato' Maznah Abdul Jalil	10/10	4/5	–	3/3	5/5
Izaddeen Daud <sup>1</sup>	9/10	–	–	2/3	2/5
Fahmy Ismail (Appointed on 4 March 2021 & Resigned effective 11 June 2021)	3/3	–	–	–	–
Dato' Sri Mohammed Shazalli Ramly (Appointed on 4 March 2021)	8/10	–	–	–	–
Dato' Ahmad Nazim Abd Rahman (Appointed on 12 October 2021)	1/3	–	–	–	–
Irfan Hashim (Alternate to Dato' Ahmad Nazim Abd Rahman) (Appointed on 12 October 2021)	3/3	–	–	–	–
<b>Senior Independent Non-Executive Director</b>					
Rozi Baharudin	10/10	–	9/9	–	–
<b>Independent Non-Executive Directors</b>					
Tan Sri Dato' Wira Aziah Ali	10/10	10/10	–	–	5/5
(Dr.) Salihin Abang	10/10	9/10	–	3/3	–
Hajah Saadatul Nafisah Bashir Ahmad	10/10	10/10	9/9	–	5/5
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired) <sup>2</sup>	10/10	–	9/9	3/3	–
Datuk Norliza Abdul Rahim	9/10	–	–	–	–
Datuk Haji Nasarruddin Dato' M Zin (Appointed on 27 January 2022)					

**Notes:**

<sup>1</sup> Redesignated as RC Member on 25 August 2021

<sup>2</sup> Redesignated as Chairman of RC on 25 August 2021

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to Committees with their own TORs.

The Chairman of the Board is not a member of any Board Committee. The Chairman of all Committees will report to the Board on the decision or outcome of Committee meetings.

In delegating its authority to Board Committees, the Board does not abdicate its responsibility and exercises collective oversight at all times.

### Separate roles of the Chairman and CEO

There is clear delineation of roles of the Board and Management. The positions of the Chairman and CEO are held separately by two individuals. The segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the CEO's responsibility to manage the Company's business. Separation of the role of the Chairman and the CEO is imperative as both roles have different expectations and serve distinct primary audiences.

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.

### Integrity and Ethics

The Board is committed to a corporate culture that encompasses ethical conduct within the Group by adopting numerous policies which serve to achieve this commitment.

Integrity is a core value of the Group. The Board is cognizant 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 Conduct as well as the 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

As at the date of this Statement, the Board comprises twelve members, seven of whom are Independent Non-Executive Directors (INEDs). The composition of INEDs 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 Board's size ensures that the purpose involvement, participation harmony and a sense of responsibility of the Directors are not jeopardised and that it achieves the correct balance to realise the Company's strategic objectives. BHIC's Board composition is testament of the view that a board's make-up should support objective and independent deliberation, review and decision-making to allow for a more effective oversight of Management.

The Board believes that the current overall Board composition is adequate in terms of size, skills, experience diversity of age and gender to ensure inclusiveness of views as well as to facilitate effective decision-making and constructive deliberations during meetings.

The Board has determined that the seven INEDs are independent in line with the requirements of Paragraph 15.02 of the MMLR. All Board members are persons of high calibre and integrity with diverse professional backgrounds, sound knowledge and understanding of the Company's business.

The Board acknowledges that NEDs may hold external directorships and other business interests, which varied exposure will benefit the Company significantly. The Board annually reviews the declarations made by Directors on the number and nature of their external directorships that they hold as well as



their assurances on time commitment in carrying out their duties and responsibilities to the Company. As at the date of this Statement, none of the Directors hold more than five directorships in any other public listed companies.

During the year under review, the Board saw some changes made to its composition:

- i) The Board appointed Dato' Sri Mohammed Shazalli Ramly and Fahmy Ismail as NINEDs on 4 March 2021. The Board appointed Dato' Ahmad Nazim Abd Rahman and Datuk Nasarruddin Dato' M Zin on 12 October 2021 and 27 January 2022 respectively. Article 100 of the Company's Constitution provides that any new Directors appointed during the year under review shall hold office until the next following AGM and will be eligible for re-election. Dato' Ahmad Nazim Abd Rahman and Datuk Haji Nasarruddin Dato' M Zin have given their consent for re-election at the forthcoming AGM.
- ii) The Board expressed its gratitude and appreciation to both Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired) and Fahmy Ismail who had resigned on 11 June 2021.

Article 107 of the Company's Constitution further provides that at every AGM of the Company, one-third of the Directors shall retire from the Board by rotation. If eligible, such Directors may offer themselves for re-election. At the forthcoming AGM, the NRC, upon its evaluation has recommended that the following Directors be eligible for re-election.

(Dr.) Salihin Abang, Hajah Saadatul Nafisah Bashir Ahmad and Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired) have given their consent for re-election at the AGM.

Appointments of the Board are made via a formal, rigorous and transparent process, premised on meritocracy. The Board considers the current composition of the Board, the tenure of each Director on the Board and evaluates the need to bring new skills and perspectives to the Board.

The Board takes into account objective criteria such as qualification, skills, experience, professionalism, integrity and diversity needed on the Board to help shape and steer the Group's strategic direction. In the case of the appointment of an INED, the Board assesses the candidate's ability to bring the element of detached impartiality and objective judgment to boardroom deliberations.

Overall, the Board 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.

The Board is satisfied that there is mutual respect among Directors contributing to a democratic environment that allows for constructive deliberations and a robust decision-making process.

### **Board Conduct**

The Board commits itself and its Directors to ethical business and lawful conduct, including proper use authority and appropriate decorum when acting as Board members.

All Board members discharge their duties and responsibilities at all times as fiduciaries in the best interest of the Company. They act with integrity, lead by example, keep abreast of their responsibilities as Directors and of the conduct, business and development of the Company.

In directing or managing the Company's business and affairs, they exercise reasonable care, skill and diligence by applying their knowledge, skill and experience.

The Board ensures that key transactions or critical decisions are deliberated on by the Board in a meeting. The Board also ensures that decisions and basis for those decisions, including any dissenting views are made known and properly minuted.

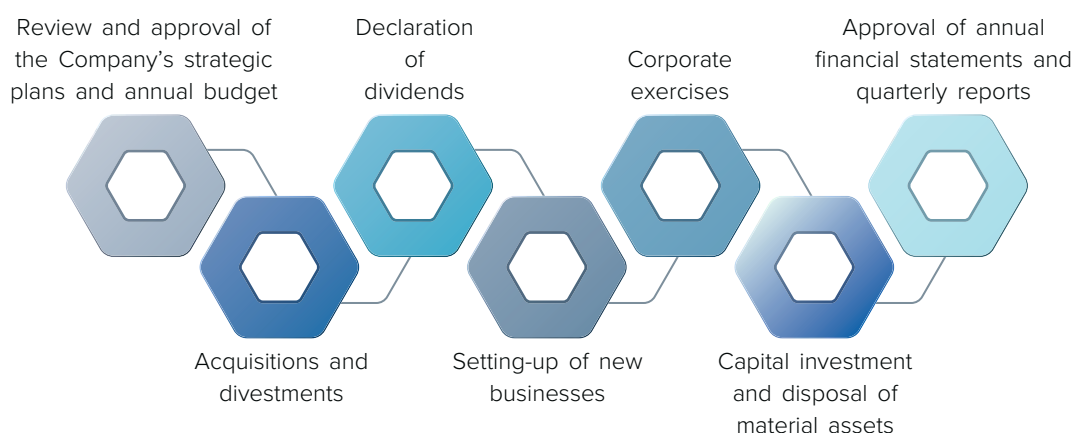
# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Matters Reserved for the Decision of the Board

The Board discharges some of its responsibilities directly and delegates certain responsibilities to its Committees to assist in carrying out its functions of ensuring independent oversight and stewardship.

The Board also delegates authority for the operational management of the Company's business to the CEO for further delegation by him in respect of matters that are necessary for the effective day-to-day running of the Company's business.

Matters Reserved for the Board are reviewed periodically against industry best practices and corporate governance provisions and guidance. Below are Matters Reserved for the Board:



## Diversity

Diversity is important to ensure that the Company remains relevant, resilient and sustainable in the rapidly transforming and evolving business environment. While it is important to promote diversity, the normal selection criteria of a Director based on an effective blend of competencies, skills, experience and knowledge in areas identified by the Board remains a priority. The Board is committed to ensure that its composition not only reflects the diversity as recommended by the MCCG, as best as it can, it will also have the right mix of skills and balance to contribute to the achievement of the Company's goals.

The Board through the Nomination and Remuneration Committee (NRC), assesses the appropriate skills, experience, independence and diversity as part of its selection process. The NRC is empowered also to review and evaluate the composition and performance of the Board annually as well as assessing qualified candidates to occupy Board positions.

## Independence

The Board recognises the important contributions that INEDs make to good corporate governance. All Directors, regardless of their independent status are required to act in the best interest of the Company and to exercise unfettered and independent judgement.

To date, all the INEDs satisfy the following criteria:

- independent from Management and free from any other relationship which could interfere with their independent judgement or the ability to act in the best interests of the Company
- not involved in the day to day operations of the Company
- declared their interest or any possible conflict of interest in any matter tabled prior to the commencement of Board meetings.

Board decisions are made taking into account the views of the INEDs which carry substantial weight. They fulfil their roles in ensuring that strategies proposed by Management are deliberated and examined taking into account the interests of the shareholders and stakeholders.

In reviewing the independence of INEDs the NRC adopts 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 INEDs.

Upon completion of nine years as INED, an INED may continue to serve on the Board as a NINED. If the Board intends to retain an INED beyond nine years, it will provide justification and seek annual shareholders' approval through a two-tier voting process. In this regard, the Board will undertake a rigorous review to determine whether the 'independence' of the INED has been impaired.

#### **Board Evaluation Process**

The Board Evaluation Process (BEP) is to evaluate the performance of the Board, Board Committees and individual members of the Board as well as identifying any gaps or areas of improvement, where required.

The Board reviews its performance, the Board Committees and individual Directors on an annual basis based on a set of predetermined criterias 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 Board through the NRC reviewed the 2021 BEP and deliberated the findings and areas that required further improvements. The NRC is satisfied that the composition of the Board and Board Committees have fulfilled the criterias required and features the right blend of knowledge, experience and appropriate skills. The NRC is also of the view that the Board and Board Committees are committed to the highest standards of good governance and the Board continues to be considered as an excellent Board with satisfactory support from the Management. The findings of the evaluation for individual Directors will also be used as a basis for determining the re-election of Directors at the AGM of the Company.

#### **Our Sustainability Commitment**

The Board together with the Management takes responsibility for the governance of sustainability in the Company, including setting its sustainability strategies, priorities and targets. A designated senior employee is tasked to focus on the management of sustainability strategically, including integration of sustainability considerations in the Company's operations.

The Board acknowledges that our long-term success and continued relevance are dependent on the prosperity and trust of the communities we serve and the environment we operate in. Our financial outcomes are inexorably linked to our ability to manage ESG risks and opportunities as much as we recognise that an inclusive society built on human dignity and the responsible use of human capital is essential for all of us to thrive.

The Board ensures that the Company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to all stakeholders.

As a Company, the well-being of customers, employees and other stakeholders as well as the environment is crucial to sustaining our long-term performance. The Board factors in these sustainability considerations and ensures that the Company's strategies, priorities and targets are communicated to internal and external stakeholders. As such we incorporate ESG risks and opportunities into our business decisions given their heightened materiality in decision-making considerations of stakeholders. The Group considers the integration of ESG factors as a component of the Board's fiduciary responsibility, and accountable therefore to the oversight and management of sustainability.

In the performance evaluation of the Board and Senior Management, the Board takes into account of how they have performed their respective roles in addressing material sustainability risks and opportunities.



## CORPORATE GOVERNANCE OVERVIEW 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 to success. The level of remuneration reflects the experience and level of responsibilities undertaken by the Directors.

A review on the quantum and composition of NEDs' remuneration is undertaken once every four years. The details for the remuneration of Directors for the financial year ended 31 December 2021 for BHIC and its Group of companies are as follows:

Director	Company			Group		
	Fees FY2021 (RM'000)	Allowances FY2021 (RM'000)	Total (RM'000)	Fees FY2021 (RM'000)	Allowances FY2021 (RM'000)	Total (RM'000)
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired) <i>Non-Independent Non-Executive Chairman (Resigned 11 June 2021)</i>	68.9	26.4	95.3	106.4	27.9	134.3
Rozi Baharudin <i>Senior Independent Non-Executive Director</i>	165.6	29.6	195.2	201.6	33.4	235.0
Dato' Maznah Abdul Jalil <i>Non-Independent Non-Executive Director</i>	121.2	37.0	158.2	157.2	37.0	194.2
Fahmy Ismail# <i>Non-Independent Non-Executive Director (Appointed on 4 March 2021 and Resigned 11 June 2021)</i>	20.4	3.6	24.0	20.4	3.6	24.0
Tan Sri Dato' Wira Aziah Ali <i>Independent Non-Executive Director</i>	108.1	31.8	139.9	156.1	38.7	194.8
(Dr.) Salihin Abang <i>Independent Non-Executive Director</i>	198.6	32.3	230.9	234.6	36.9	271.5
Hajah Saadatul Nafisah Bashir Ahmad <i>Independent Non-Executive Director</i>	144.4	41.0	185.4	180.4	45.6	226.0
Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired) <i>Independent Non-Executive Director</i>	205.0	32.2	237.2	205.0	32.2	237.2
Izaddeen Daud# <i>Non-Independent Non-Executive Director</i>	84.1	17.9	102.0	84.1	17.9	102.0
Datuk Norliza Abdul Rahim <i>Independent Non-Executive Director</i>	77.9	14.1	92.0	77.9	14.1	92.0



Director	Company			Group		
	Fees FY2021 (RM'000)	Allowances FY2021 (RM'000)	Total (RM'000)	Fees FY2021 (RM'000)	Allowances FY2021 (RM'000)	Total (RM'000)
Datuk Seri Mohammed Shazalli Ramly <sup>#</sup> <i>Non-Independent Non-Executive Director</i> <i>(Appointed on 4 March 2021)</i>	63.3	14.0	77.3	63.3	14.0	77.3
Dato' Ahmad Nazim Abd Rahman* <i>Non-Independent Non-Executive Director</i> <i>(Appointed on 12 October 2021)</i>	16.5	0.8	17.3	16.5	0.8	17.3
Irfan Hashim* <i>(Alternate Director to Dato' Ahmad Nazim Abd Rahman)</i> <i>(Appointed on 12 October 2021)</i>	–	3.2	3.2	–	3.2	3.2
Datuk Haji Nasarruddin Dato' M Zin <i>Independent Non-Executive Director</i> <i>(Appointed on 27 January 2022)</i>	–	–	–	–	–	–
<b>TOTAL</b>	<b>1,274.0</b>	<b>283.9</b>	<b>1,557.9</b>	<b>1,503.5</b>	<b>305.3</b>	<b>1,808.8</b>

**Notes:**

\* Fees and Allowances are paid to Lembaga Tabung Angkatan Tentera

<sup>#</sup> Fees and Allowances are paid to Boustead Holdings Berhad

Total payables to all directors: Company RM1,229,000 and Group RM1,361,000

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Audit Committee

The role of the Audit Committee (AC), amongst others, is to 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 INED 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 year under review as well as the attendance record of each member are set out in the AC Report in this Annual Report.

### Risk Management and Internal Control Framework

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its 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 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 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 Board confirms that it has monitored the Company's risk management and internal control system and that there is a process in place to identify, evaluate and manage the significant risks faced by the Company. The Company's system of internal financial control is primarily aimed at safeguarding the Company's assets, ensuring proper accounting records are kept, identifying and managing business risk and maintaining compliance with appropriate legislations and regulations.

The internal audit function is carried out by the Group Internal Audit Department (GIAD) of Boustead Holdings Berhad. GIAD reports directly to the AC and is independent of the activities which it audits. GIAD'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 in 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.

### Communication with Stakeholders

Regular communication and engagement between stakeholders and the Company are critical for the sustainable growth of our business as this gives stakeholders a much better insight of the Company and facilitates mutual understanding of each other's expectations. As such we have consistently maintained an open dialogue with relevant stakeholder groups such as regulatory agencies, employees, shareholders, investors, consumers and general public, non-governmental associations, industry and trade associations and suppliers. Their views and concerns on the Company's business, its policies on governance, the environment and social responsibility are given due consideration in our decision-making process.

The protection of shareholders' and stakeholders' interests both in the short and long-term is central to the way the Board operates. This has been the primary governing principle behind the Board's response to the COVID-19 pandemic. Its impact on all key stakeholders was always considered in Management's decisions. Effective engagement has been crucial in understanding the views of our stakeholders in order to make informed choices.

The Group upholds its commitment in ensuring transparent, accurate and timely communication with the 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 include Annual Report, quarterly results, announcements to Bursa Malaysia, Sustainability Report and its corporate website.



### Conduct of General Meeting

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of AGM together with the proxy form are given to shareholders not less than twenty-eight days before the AGM. Each item of ordinary business included in the notice of the AGM will be accompanied by an explanatory statement on the effects of the proposed resolution.

During the AGM, the CEO presented a comprehensive review of the Group's performance during the financial year. There was active engagement between the Board and shareholders and there was opportunity for shareholders to have real-time interaction with the Board and the CEO. Questions which were posed by shareholders were responded to. Answers to the queries by MSWG prior to the AGM were also shared with the shareholders and the same were uploaded onto the website immediately after the conclusion of the AGM.

The complete minutes of the AGM detailing the meeting's proceedings including issues or concerns raised by shareholders and a summary of the key matters discussed were circulated to shareholders.

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

### Focus Areas on Corporate Governance

The Board is committed towards continuous enhancement of governance practices throughout the Group. In 2021 the Group embarked on the following activities:

### 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.

### Professional Development of Directors

During the year under review, 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## List of Directors Training from January to December 2021

No.	Director	Training attended	Date
1.	Dato' Maznah Abdul Jalil <i>Non-Independent Non-Executive Director</i>	1. Webinar CoronaVac COVID-19 Vaccine: Updates & Highlights (Pharmaniaga) 2. The Malaysia Sustainability Leadership Summit 2021 (Jointly organised by Parliament of Malaysia, All Party Parliamentary Group on Sustainable Development Goals (APPGM-SDG), KSI Strategic Institute for Asia Pacific and Malaysian CSO-SDG Alliance with the support of the UN Malaysia and the Economic Club of Kuala Lumpur (ECKL) 3. KPMG's Asia-Pacific Board Leadership Centre Webinar: Board and Audit Committee Priorities 2021 (KPMG) 4. The Impact of Current Global Financial Crisis and Covid-19 on Capital Markets 5. Doubling down in Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance 2021 Update (KPMG) 6. The Malaysian Economic Summit 2021 "Spurring Malaysia's Productivity and Growth After the COVID-19 Pandemic" (KSI Strategic Institute for Asia Pacific & The Economic Club KL) 7. The National Recovery Summit, Winning the War Against Covid – the Road to Recovery (KSI Strategic Institute for Asia Pacific & The Economic Club KL) 8. 2021 Malaysian Banking and Finance Summit "Future of Banking in the New Normal – Disruptive Innovation, Technology and Transformation" 9. 'A key COG in an effective governance structure' 10. In-house Training Programme for Boustead Holdings Berhad, entitled Related Party Transactions Simplified 11. ESG Corporate Summit "Driving Sustainability and Sustainable Transformation"	1 February 2021  9 March 2021  7 May 2021 9 May 2021 4 June 2021  13 July 2021  17 August 2021  21 September 2021  25 October 2021 28 October 2021  17 February 2022
2.	Rozi Baharudin <i>Senior Independent Non-Executive Director</i>	1. Corporate Tax Submission: Essential Consideration (Boardroom) 2. Value Creation Strategies: An innovative take on creating impactful, healthy companies (Malaysian Alliance of Corporate Directors) 3. Section 17A of the MACC ACT 2009 – The Introduction of Corporate Liability 4. Business Transformation Post Covid (Boardroom) 5. Webinar: Cyber Security: Issues and Challenges of a "Borderless Nation" (Universiti Malaysia Sabah) 6. Financing, Funding & Grants for SMEs in Turbulent Times 7. MSWG Webinar – Covid Creates Unique Governance Issues 8. In-house Training Programme for Boustead Holdings Berhad, entitled Related Party Transactions Simplified 9. ESG Reporting Health Check	22 March 2021  16 July 2021  23 July 2021  4 August 2021 13 August 2021  12 October 2021 21 October 2021 28 October 2021  1 November 2021



No.	Director	Training attended	Date
3.	Tan Sri Dato' Wira Aziah Ali <i>Independent Non-Executive Director</i>	<ol style="list-style-type: none"> <li>1. Webinar CoronaVac COVID-19 Vaccine: Updates &amp; Highlights (Pharmaniaga)</li> <li>2. Implementing Amendments in the Malaysian Code in Corporate Governance (Asia School of Business)</li> <li>3. Section 17A of the MACC Act 2009 – The Introduction of Corporate Liability</li> <li>4. Webinar: Cyber Security: Issues and Challenges of a “Borderless Nation” (Universiti Malaysia Sabah)</li> <li>5. Transfer Pricing War Stories (KPMG)</li> <li>6. MSWG Webinar – Covid Creates Unique Governance Issues</li> <li>7. Webcast on becoming a Boardroom Star</li> <li>8. Digital Series for Boards – Defining Future of Work for Boards</li> <li>9. Securities Commission Malaysia Audit Oversight Board (AOB)</li> <li>10. Section 17A of the Malaysian Anti-Corruption Commission Act 2009 Covering Corporate Liability Provision on Corruption (MICG)</li> </ol>	<p>1 February 2021</p> <p>14 June 2021</p> <p>23 July 2021</p> <p>13 August 2021</p> <p>18 August 2021</p> <p>21 October 2021</p> <p>9 November 2021</p> <p>11 November 2021</p> <p>6 December 2021</p> <p>9 December 2021</p>
4.	Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired) <i>Independent Non-Executive Director</i>	<ol style="list-style-type: none"> <li>1. Corporate Governance Revisited (Malaysian Alliance of Corporate Directors and SpeakRight Consultancy Sdn Bhd)</li> <li>2. Section 17A of the MACC Act 2009 – The Introduction of Corporate Liability</li> <li>3. Business Transformation Post COVID-19 (Boardroom)</li> <li>4. Related Party Transactions Simplified (in-house Training Programme for Boustead Holdings Berhad)</li> <li>5. Humanizing Board Proposals</li> </ol>	<p>9 July 2021</p> <p>23 July 2021</p> <p>4 August 2021</p> <p>28 October 2021</p> <p>23 November 2021</p>
5.	Datuk Norliza Abdul Rahim <i>Independent Non-Executive Director</i>	<ol style="list-style-type: none"> <li>1. Webinar CoronaVac COVID-19 Vaccine: Updates &amp; Highlights (Pharmaniaga)</li> <li>2. Section 17A of the MACC Act 2009 – The Introduction of Corporate Liability</li> <li>3. Rapid Bus Transformation Lab</li> <li>4. BHIC Board of Directors Retreat</li> <li>5. In-house Training Programme for Boustead Holdings Berhad, entitled Related Party Transactions Simplified</li> <li>6. UDA Holdings Berhad Board Retreat</li> </ol>	<p>1 February 2021</p> <p>23 July 2021</p> <p>20 September – 26 November 2021</p> <p>13 – 14 October 2021</p> <p>28 October 2021</p> <p>12 December – 14 December 2021</p>



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

No.	Director	Training attended	Date
6.	(Dr.) Salihin Abang <i>Independent Non-Executive Director</i>	<ol style="list-style-type: none"> <li>Audit of Going Concern, Subsequent Events, Related Parties, Capital Commitments and Audit Opinions</li> <li>The Risks of Sitting &amp; The Power of Moving</li> <li>Unclaimed Money Act 1965</li> <li>Confirmation Fraud Case Studies: Leveraging on Technology to Reduce Risk of Fraud</li> <li>Qualified Risk Director (QRD): Risk Oversight Practices &amp; Corporate Culture and ERM</li> <li>Business Opportunity Identification in a RUDE Environment</li> <li>"ESG in the new normal: A corporation's lens"</li> <li>LHDNM-CTIM Tax Forum 2021</li> <li>Qualified Risk Director (QRD): Risk Appetite, Tolerance &amp; Board Oversight and Strategic ERM: A Primer for Directors</li> <li>Case Study-Based MFRS Webinar: Case Study Approach to Lease Transactions</li> <li>AOB TRAINING: International Standard on Quality Management (ISQM) 1 – Quality Management for Firms That Perform Audits or Reviews of Financial Statements, Or Other Assurance or Related Services Engagements &amp; International Standard on Auditing (ISA) 220 – Quality Control for An Audit of Financial Statements</li> <li>Bicara Ikon Usahawan DPIM: The Role of Board of Directors in Malaysian Listed Companies</li> <li>International Standard on Quality Management (ISQM) 2: Engagement Quality Reviews</li> <li>Accounting for Tangible and Intangible Assets</li> <li>Case Studies in Accounting for Deferred Taxation</li> <li>8th MFPC e-Conference on Shariah Wealth Management &amp; Financial Planning</li> <li>Risk Management Conference 2021</li> <li>Pre &amp; Post IPO Rules and Key Updates to Listing Requirements</li> <li>Market Manipulation and Securities Fraud</li> <li>MFRS 2020/2021: The Important Updates and Things to Look for (with illustrations)</li> <li>Pathway to Equity Capital via Initial Public Offering (IPO)</li> <li>MIA International Accountant Conference 2021</li> <li>Qualified Risk Director (QRD): Evolving Expectations for Boards in ERM &amp; The Role of Boards in Fraud Risk Management</li> <li>Share Buy-Back, and Dealings in Listed Securities, Closed Period and Insider Trading</li> <li>Capital Market Conference 2021: Evolution of Capital Market</li> <li>Towards A Comprehensive System of Corporate Reporting: Communication of Long-Term Value Creation</li> <li>Section 17A of the MACC Act 2009 – The Introduction of Corporate Liability</li> <li>IIUM Alumni Executive Dialogue 2.0 – Business and Covid-19: Braving the Turbulence (Panellist)</li> </ol>	<p>19 – 20 January 2021</p> <p>27 January 2021</p> <p>2 February 2021</p> <p>25 February 2021</p> <p>2 March 2021</p> <p>5 March 2021</p> <p>17 March 2021</p> <p>23 March 2021</p> <p>25 March 2021</p> <p>26 March 2021</p> <p>5 April 2021</p> <p>11 April 2021</p> <p>14 April 2021</p> <p>16 April 2021</p> <p>19 April 2021</p> <p>20 April 2021</p> <p>21 April 2021</p> <p>22 April 2021</p> <p>26 April 2021</p> <p>19 May 2021</p> <p>27 May 2021</p> <p>8 – 10 June 2021</p> <p>15 June 2021</p> <p>16 June 2021</p> <p>17 June 2021</p> <p>22 June 2021</p> <p>23 July 2021</p> <p>24 July 2021</p>



No.	Director	Training attended	Date
6.	(Dr.) Salihin Abang <i>Independent Non-Executive Director</i> (Cont'd.)	29. TYMBA Talk Session – Professional Accountancy: Leading through Crisis and Preparing for the Future (Panellist) 30. National Tax Conference 2021 31. Business Transformation Post Covid 32. Corporate Directors Summit 2021: Governance 4.0 (Panellist) 33. Islamic Social Finance: Humanitarian Response Update in Afghanistan 34. Mental Health Talk with Dr. Ahmad Rostam Md Zin 35. Agriculture Financial Reporting Requirement – Impact of MFRS and MPERS on Accounting for Agriculture 36. Persidangan Tahunan Audit Dalam 2021 Kementerian Wilayah Persekutuan bersama Agensi (Panellist) 37. Climbing The Corporate Ladder: The Need for Professional Qualifications 38. Program Pembangunan Usahawan Profesional Bidang Perakaunan (Panellist) 39. IVAS-IVSC Business Valuation Virtual Conference 2021 – Reframing Valuations: Intangibles, ESG and Long-Term Value 40. Global Summit of Integrated Reporting Communities 41. Carbon Emission Trading 42. SALIHIN Malaysia Budget 2022 43. Tax Budget 2021 44. Seminar Percukaian Kebangsaan 2021 45. 2022 Budget Seminar 46. ICAN 51 <sup>st</sup> Annual Accountants' Conference (Panellist)	25 July 2021 27 – 28 July 2021 4 August 2021 17 August 2021 29 August 2021 30 August 2021 5 September 2021 7 September 2021 24 September 2021 26 September 2021 6 – 7 October 2021 14 October 2021 28 October 2021 9 November 2021 10 November 2021 16 November 2021 30 November 2021 1 December 2021
7.	Hajah Saadatul Nafisah Bashir Ahmad <i>Independent Non-Executive Director</i>	1. Webinar CoronaVac COVID-19 Vaccine: Updates & Highlights (Pharmaniaga) 2. MIA's Audit Committee Conference 2021 3. Section 17A of the MACC Act 2009 – The Introduction of Corporate Liability 4. Business Transformation Post COVID-19 (Boardroom) 5. Cybersecurity; Issues and Challenges of a Borderless Nation 6. Transfer Pricing War Stories (KPMG) 7. MSWG Webinar – Covid Creates Unique Governance Issues 8. In-house Training Programme for Boustead Holdings Berhad, entitled Related Party Transactions Simplified 9. Securities Commission Audit Oversight Board (AOB) 10. Body Language Exposed	1 February 2021 15 & 16 March 2021 23 July 2021 4 August 2021 13 August 2021 18 August 2021 21 October 2021 28 October 2021 6 December 2021 22 December 2021
8.	Datuk Seri Mohammed Shazalli Ramly <i>Non-Independent Non-Executive Director</i>	1. Director's Conference: Related-Party Transaction Sustainability as Key Strategic Thrust	28 October 2021

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

No.	Director	Training attended	Date
9.	Izaddeen Daud <i>Non-Independent Non-Executive Director</i>	1. Webinar CoronaVac COVID-19 Vaccine: Updates & Highlights (Pharmaniaga) 2. MIA's Audit Committee Conference 2021 3. Dawn Raid-Since Section 17A MACC Act Has Come into Force, Don't Be Caught Unprepared (Asia Schools of Business) 4. Related Party Transaction Simplified	1 February 2021  15 & 16 March 2021 30 June – 1 July 2021 28 October 2021
10.	Dato' Ahmad Nazim Abd Rahman <i>Non-Independent Non-Executive Director</i>	1. Khazanah Megatrends Forum 2021: The Invention of Tomorrow – Crafting Our New Collective Narrative	4 – 6 October 2021 (Virtual forum)
11.	Irfan Hashim <i>Non-Independent Non-Executive Director</i> (Alternate Director to Dato' Ahmad Nazim Abd Rahman)	1. In-house Training Programme for Boustead Holdings Berhad, entitled Related Party Transactions Simplified 2. Bursa Program: "Mandatory Accreditation Programme" (MAP) Run 10 3. Mandatory Accreditation Program for Directors of Public Listed Companies	28 October 2021  1 – 3 November 2021 6 – 8 December 2021

## 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.

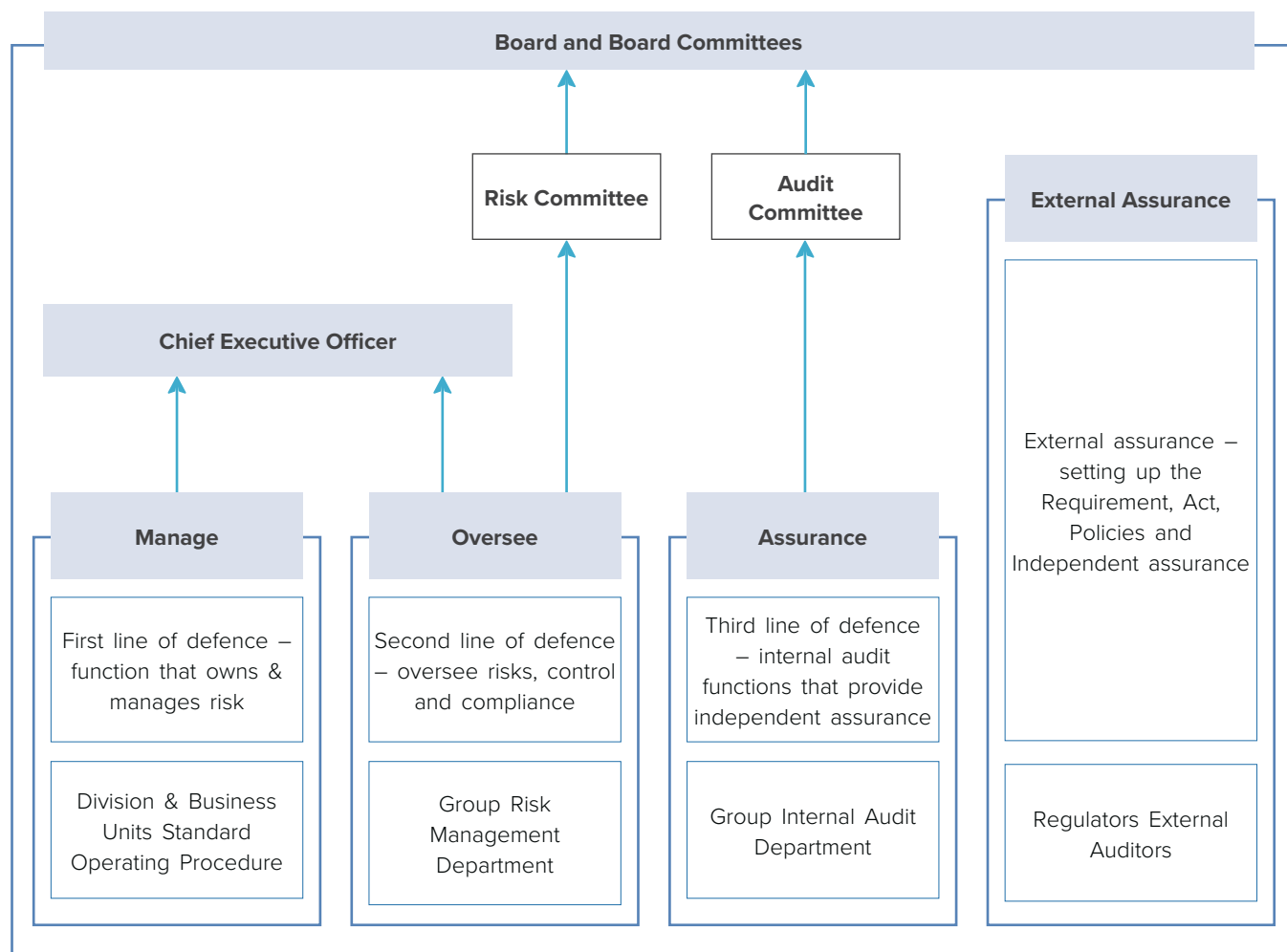
The Corporate Governance Overview Statement has been approved in accordance with a resolution of the Board of Directors dated 26 April 2022.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is pleased to present this 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. This statement has been prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## OUR APPROACH TO RISK MANAGEMENT AND INTERNAL CONTROLS

The Group has established a matrix for oversight, assurance, risk management and internal controls, as depicted in the diagram below.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

## BOARD ACCOUNTABILITY

The Board is committed to maintaining an effective system of internal controls with the objective of safeguarding shareholders' interest and the Group's assets, as per the MCGG (updated as at 28 April 2021).

The Board sets the tone and direction for effective risk management and internal controls by regularly reviewing the adequacy and effectiveness of the risk management and internal controls framework. The review covers the Group's financial, operational and compliance controls. In view of limitations inherent in any internal controls system, the Group's internal controls system is designed to manage all risks that may impede the Group from achieving its objectives. However, it is not able to eliminate all such risks, therefore the system can provide only a reasonable and not absolute assurance against any misstatements or loss.

The internal controls of our joint venture and associate companies do not come under the purview of the Board. Nevertheless, the Group's interests in the joint venture and associate companies are served through representation on the Boards of these companies as well as through the review of management accounts and enquiries thereafter. Such representation also provides the Board with information for timely and effective decision-making. Representatives of these companies report to the Board on their significant risks. Each appointed and dedicated risk focal person is responsible for risk management in the respective joint ventures or associate companies to ensure consistent implementation of risk management processes across the Group.

## RISK MANAGEMENT

Risk management is an integral part of the Group's activities. Ongoing improvements to strengthen the monitoring of principal risks remain a key focus of the Board towards building a successful and sustainable business. Risks across the Group are managed on an integrated basis by the Group Risk Management Department (GRMD) and the evaluation of those risks is incorporated into the decision-making process.

There is a dedicated risk management function in the respective business unit to evaluate, assess and manage risk associated with their business and operations. The assessments and evaluations are then reported to the respective Management and Boards.

The Group has in place processes to continuously identify, evaluate, manage and monitor risks that affect the achievement of its business objectives. These processes were in place during the year under review and up to the date of approval of this statement.

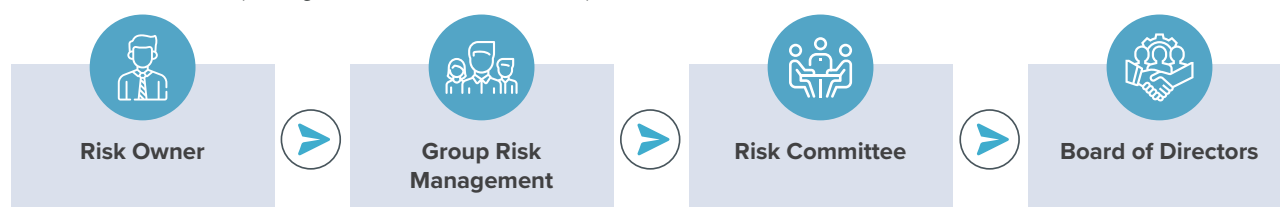
## INTERNAL CONTROLS

### 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 faced by the Group 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.

BHIC Group's Enterprise Risk Management (ERM) Framework was approved by the Board in 2015. As part of continuous efforts to improve our risk management practices, during the period under review, the Board had approved the proposal to enhance the ERM Framework for alignment with the ISO 31000:2018 (Risk Management Guidelines) standard.

An Overview of Risk Reporting Architecture of the Group:



## ENTERPRISE RISK MANAGEMENT

As part of the risk management best practice to instill a proactive risk management culture, GRMD deals consistently with the business units and departments to conduct risk register validation exercises throughout the financial year. The objective of these exercises is to evaluate and validate the adequacy of the Group's risk assessment processes, to highlight potential or emerging risks, and to review the status of action plans undertaken by the business units and departments.

## PROJECT RISK ASSESSMENT

Most of BHIC Group's business is derived from shipbuilding and maintenance, repair and overhaul (MRO) activities. The Group has in place Project Risk Assessment (PRA) guidelines and procedures describing the necessary steps to be taken to support risk management in all projects undertaken by the Group. PRAs were conducted at various stages of the projects, from their inception till their completion, to identify potential risks and opportunities as well as to manage potential issues that could impact their execution.

## BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management (BCM) is a set of processes that prepares the organisation to recover and continue its critical business functions in the event of any disruption. Through the BCM programme, the Business Continuity Plan and ICT-Disaster Recovery Plan had been established to enable the recovery and restoration of critical business functions within a reasonable period should a crisis occur.

## INTEGRITY AND GOVERNANCE

The Group is committed to encouraging transparent and ethical conduct in upholding the highest level of integrity in all aspects of our business.

### Training and awareness

As part of continuous efforts to build and enhance awareness of integrity and governance, a series of training and awareness sessions for employees were carried out on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 694 Amendment 2018) aimed at creating awareness amongst the employees to corporate liability. During the year, the Group collaborated with the MACC in the conduct of three training sessions, which were attended by the Board and 260 employees.

Boustead Naval Shipyard Sdn Bhd has developed an e-learning platform on anti-bribery and anti-corruption for its employee. A total of 236 employees completed the e-learning module in 2021.

### ABMS Certification

In keeping with the MACC Act 694 Amendment 2018 and the National Anti-Corruption Plan (NACP) 2019-2023, our joint venture company Boustead DCNS Naval Corporation Sdn Bhd (BDNC) had successfully introduced its Anti-Bribery and Anti-Corruption (ABAC) Programme for its employees. This contributed to BDNC achieving the Anti-Bribery Management System (ABMS) ISO 37001: 2016 certification from NIOSH Certification Sdn Bhd in April 2021.

### Integrity Pledge

As a commercial organisation which has business dealings with government agencies and other entities. An integrity pledge ceremony was held on 9 March 2021 involving BDNC's senior and middle management. The event was witnessed by Sabah MACC Director and RMN Submarine Force Commander.

This was followed by a mass integrity pledge on 12 April 2021 during a BDNC Townhall involving all BDNC associates.

### Gift, Sponsorship & Donations

BHIC participates in and carries out various community and Corporate Social Responsibility (CSR) activities as part of our efforts to give back to the community where we operate.

To provide guidance to our employees, BHIC has in place Policies and Standard Operating Procedures for making donations, undertaking CSR activities including political donations and providing sponsorships involving its clients, business associates, vendors, partners, government officials, visitors and other third parties. Further information on how these are managed can be read in our Sustainability Statement on Good Corporate Governance & Integrity section.

## HEALTH, SAFETY AND ENVIRONMENT

### HSE Commitment and Implementation

In line with the Group's Health, Safety and Environment (HSE) Policy, we are committed to upholding the highest standards of HSE in compliance with the Occupational Safety and Health Act 1994, Factories and Machinery Act 1967, and Environmental Quality Act 1974.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

### RISK GOVERNANCE AND REPORTING

As part of our efforts 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 of risk profiles and the direction on key risks and audit areas.

In line with corporate governance best practice, the Group has established two committees, namely the Audit Committee (AC) and Risk Committee (RC), to deliberate audit matters and risk matters respectively. AC provides advice to the Board in the areas of financial reporting, internal control environment and internal audit process. RC is responsible for assisting the Board in overseeing the integrity of risk management policies and practices within the Group.

The Group also places strong emphasis on audit matters and compliance as part of comprehensive risk management. Audit issues were reported and presented to BHIC's Management and the AC. Audit follow-up and resolution exercises on significant matters were conducted throughout 2021 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 control systems to the Management, led by the Chief Executive Officer (CEO) of BHIC.

The Management team continuously assesses and strengthens controls within the Group for the CEOs of Heads of Business Units to periodically review the performance of their Business Units and to identify and manage their risks effectively. The Management also

regularly reviews the adequacy and integrity of internal controls and Management Information Systems; and develops and regularly reviews business strategies and operating procedures and policies.

The Management team is responsible for:

- i. the conduct and performance of the Business Units;
- ii. the identification and evaluation of significant risks applicable to the different areas of the business units together with the design and operation of suitable internal controls;
- iii. ensuring that an effective system of internal controls is in place;
- iv. reviewing the internal audit reports and following up on their findings;
- v. meeting all internal and external reporting deadlines and ensuring compliance with policies, procedures and regulatory requirements;
- vi. the submission of monthly management reports to the CEO;
- vii. the submission of annual operating plans, and review of half-year financial forecasts to be approved at the operating and Board levels; and
- viii. the evaluation of major procurement contracts by the Management Tender Committee in a transparent manner.

The current monitoring and reviewing structure ensures timely and relevant communication between Management and the Board, and promotes a dynamic and effective control structure within the Group. The Company also conducts annual Townhall meetings and regular visits to business units' premises 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.

BHIC has taken a group-wide initiative to update and streamline the SOPs 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 standards and professional conduct expected of 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 conducted regularly to ensure all employees are kept up to date on the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.

#### Organisational Structure

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



## Whistleblowing

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

Whistleblowing reports can be submitted via email at [whistleblowing@bhic.com.my](mailto:whistleblowing@bhic.com.my), or in hard copies which may be addressed to:

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

In 2021, no whistleblowing reports were received.

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

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

- **Division, Business Units and Departments:** Each division, business unit and department 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:** The department provides risk methodologies, framework, tools and consultancy to the business units and departments pertaining to risk monitoring and control. It reports the Group's risk profile to BHIC's Management Committee and the Board Audit Committee.

- **Internal Audit:** Internal Auditors conduct an independent quality assurance of risk management and internal controls activities. They also submit quarterly reports on internal control reviews to the Board Audit Committee. The Chairman of the Board Audit Committee provides the Board with reports of all its meetings.

## INTERNAL AUDIT FUNCTION

The Internal Audit function is carried out by Group Internal Audit Department (GIAD) from Boustead Holdings Berhad. GIAD supports the Board Audit Committee and the Board in evaluating and improving the Group's risk management, internal control and governance processes as well as the effectiveness of the internal control systems. During the period under review, the Group incurred a sum of RM507,090 (inclusive of Services Tax) on the internal audit services rendered by GIAD.

## 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 controls weaknesses identified during the period under review have been or are being addressed. There were no major internal control weaknesses that require disclosure in this Integrated 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 Audit Committee to keep abreast of 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 (AAPG) 3 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls included in the Integrated Report issued by the Malaysian Institute of Accountants (MIA).

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 Integrated Report had not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of MIA's 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 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 Board of Directors in respect of any aspect of this report.

This statement is made in respect of the financial year ended 31 December 2021 and in accordance with a resolution of the Board of Directors dated 26 April 2022.

# AUDIT COMMITTEE REPORT

## OVERVIEW

This report provides an insight into the role and activities undertaken by the Audit Committee (AC) during the year under review, in compliance with Paragraph 15.15 of Bursa Malaysia's Main Market Listing Requirements (MMLR).

## TERMS OF REFERENCE

The Terms of Reference (TOR) of the AC sets out the authority, responsibilities and duties of the AC in accordance with the MMLR and the Malaysian Code on Corporate Governance updated as of 28 April 2021 (MCCG). The TOR is published on the Group's website at [www.bhic.com.my](http://www.bhic.com.my). The fundamental role of the AC is to assist the Board in effecting its oversight responsibilities in the areas of financial reporting, internal and external audit, internal control system and review of audit results. The AC's responsibilities also include oversight on governance and integrity, related party transactions and overall internal financial controls.

## COMPOSITION

The membership of the AC is in line with Paragraphs 15.09 and 15.10 of the MMLR and Practices 9.1, 9.2 and Step-Up 9.4 of the MCCG. Practices 9.1, 9.2 and Step-Up 9.4 of the MCCG state that:

- All members of the AC are to be Non-Executive Directors and Independent Directors;
- No alternate director is appointed as a member; and
- The AC has a policy that requires a former partner of the Company's external auditors to observe a cooling-off period of at least three years before being appointed as a member of the AC. For the year under review, none of the Committee members was a key audit partner of the Company's external auditors.

There was a change in the composition of the AC during the year under review, in which Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired) ceased to be a member.

Name of Director	Status of Directorship	Independent	Tenure
(Dr.) Salihin Abang	Independent Non-Executive Director (Chairman)	Yes	3 years
Tan Sri Dato' Wira Aziah Ali	Independent Non-Executive Director	Yes	3 years
Hajah Saadatul Nafisah Bashir Ahmad	Independent Non-Executive Director	Yes	3 years
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired) (Resigned 11 June 2021)	Non-Independent Non-Executive Director	No	Less than 2 years

The Chairman of the AC, (Dr.) Salihin Abang, is a qualified accountant and a member of the Malaysian Institute of Accountants (MIA).

## CONTINUOUS PROFESSIONAL DEVELOPMENT

AC members acknowledged the need for continuous education trainings. All members of the AC have and will continue to undertake professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules, in line with Practice 9.5 of the MCCG. Details of the trainings attended by members of the AC can be viewed on pages 112 to 116 of this Annual Report.

## MEETINGS

The AC convened eleven (11) meetings during the year under review. The attendance details of each member at the Committee meetings are set out below:

Name of Director	Attendance
(Dr.) Salihin Abang	10/11
Tan Sri Dato' Wira Aziah Ali	11/11
Hajah Saadatul Nafisah Bashir Ahmad	11/11
Admiral Tan Sri Dato' Seri Ramlan Mohamed Ali (Retired) (Resigned 11 June 2021)	8/8

The AC meetings were also attended by the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Head of Group Internal Audit Department (GIAD). The AC also met with the external auditors on two occasions during the year under review. Meetings during the year under review were appropriately structured with AC members receiving notices, agendas and papers sufficiently in advance of the meetings.

Minutes of each AC meeting were recorded and tabled for confirmation at the following meeting and subsequently presented to the Board for notation. The AC reviewed its report for the financial year ended 31 December 2021 to ensure that they were prepared in compliance with the relevant regulatory requirements and guidelines.

The Chairman of the AC reports to the Board on principal matters deliberated at AC meetings. The AC Chairman also conveys to the Board matters of significant concern as and when raised by the external auditors or internal auditors.

## ACTIVITIES DURING THE FINANCIAL YEAR

During the year under review, the AC carried out its duties as set out in its TOR. 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.
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 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 2021.

### External Audit

1. Reviewed the 2021 audit plan and scope of work for the Group.
2. Reviewed the audit fees, the number and experience of audit employees 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 controls.
5. Reviewed major audit findings and reservations arising from the interim and final audits, significant accounting issues and any matter the external auditors wished to discuss.
6. Discussed the external auditors' review of the Statement on Risk Management and Internal Control for 2021.
7. Reviewed the external auditors' management letter(s) and management response(s).

The AC 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 AC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for 2021.

The external auditor's service fees including the statutory audit fees are available on page 150 of this Annual Report.

## AUDIT COMMITTEE REPORT

### Internal Audit

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 employees within GIAD 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 GIAD.
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

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 23 June 2021.
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

During the period under review, the AC is supported by GIAD of Boustead Holdings Berhad (the immediate Holding Company of BHIC), headed by Premila Rajaratnam. Premila is a Fellow of the Association of Chartered Certified Accountants (ACCA), a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Professional Member of The Institute of Internal Auditors Malaysia (IIAM). She has more than 17 years of firm and commercial experience in internal audit, risk management, compliance and financial management (strategic and operational), encompassing a wide array of industries. She reports directly to the AC and administratively to the GMD of BHB.

GIAD's principal responsibility is to evaluate and improve the effectiveness of the governance, risk management, and controls of the Group and recommend improvements to the processes, where necessary. 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 AC annually.

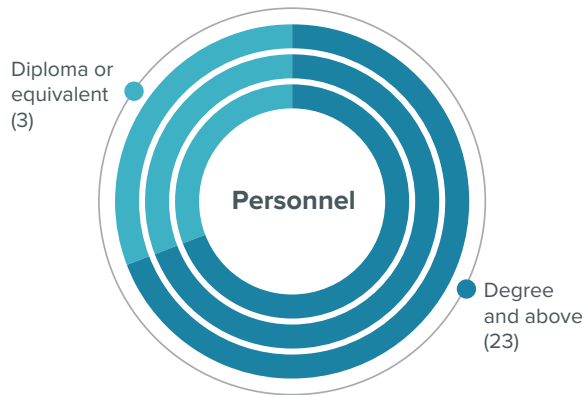
GIAD adopts a risk-based methodology in planning and conducting audits by focusing on key risks areas and activities that are aligned with the Group's strategic plans. GIAD has also adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF)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

The terms of reference of GIAD are clearly spelt out in the Internal Audit Charter. GIAD has operated and performed in accordance with the principles of the Charter that provides for its independence. GIAD reports directly to the Audit Committee and is independent of the activities it audits. GIAD has an adequately resourced internal audit function to assist the AC and the Board in maintaining an effective system of internal control and overall governance practices within the Group.

GIAD has in total 26 internal auditors as at 31 December 2021, comprising employees from diverse backgrounds. GIAD continues its commitment to equip its internal auditors with the sufficient knowledge, skills and competencies to discharge their duties and responsibilities. They had attended various relevant training and courses and are strongly encouraged to obtain appropriate professional certifications and qualifications.



The qualification breakdown of GIAD as at 31 December 2021 is detailed below:



The audits conducted in 2021 covered a wide range of strategic and operational areas within the Group (including its associate company Boustead Naval Shipyard Sdn. Bhd.) which include business development, supply chain management, health, safety and environment, human capital management, legal management, ship repairs, maintenance, repairs and operations of submarines, maintenance, repair and overhaul of weapon, sensors, combat management system and electronics, and IT project management. The corresponding audit reports were presented to the Management and Audit Committee for attention, deliberation and corrective actions.

Performance of GIAD is assessed annually by the AC.

During the year under review, GIAD undertook the following activities:

- Prepared the annual audit plan for approval by the AC.
- Performed risk-based audits based on the annual audit plan, including follow-up of matters from previous internal audit reports.
- 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 AC on significant risk management, control and governance issues from the internal audit reports issued, the results of investigations and special reviews undertaken and the results of follow-up of matters reported.
- Reported on a quarterly basis to the AC the achievement of the audit plan and status of resources of GIAD.
- 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.
- Held communication sessions with the Management and operational employees 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 under review was conducted in-house. There were no areas of the internal audit programmes which were outsourced.

The total cost incurred for GIAD in respect of financial year 31 December 2021 amounted to RM507,090 (2020: RM200,646).

## AC EFFECTIVENESS REVIEW AND PERFORMANCE

During the year under review, the Board assessed the performance of the AC through a BEP. The Board is satisfied that the AC has discharged its functions, duties and responsibilities in accordance with its TOR.

### Reporting to the Exchange

For the year under review, the AC is of the view that BHIC was in compliance with the MMLR of Bursa Malaysia and as such, the reporting to Bursa Malaysia under Paragraph 15.16 of the MMLR is not required.



SECTION

07

SUSTAINABILITY  
STATEMENT

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# SUSTAINABILITY @ BHIC



## OUR APPROACH TO SUSTAINABILITY

As a key player in the marine and aerospace sectors with a large presence in the defence segment, BHIC is driven to contribute to the highest level of national defence and security. More than this, we recognise that our operations impact various stakeholders, either directly or indirectly; and, by upholding our core values of Belonging, Honour, Integrity and Commitment, we seek to create value for these stakeholders. By extension of this commitment, we endeavour to play our role in developing a more equitable society while protecting and preserving the sustainability of the environment.

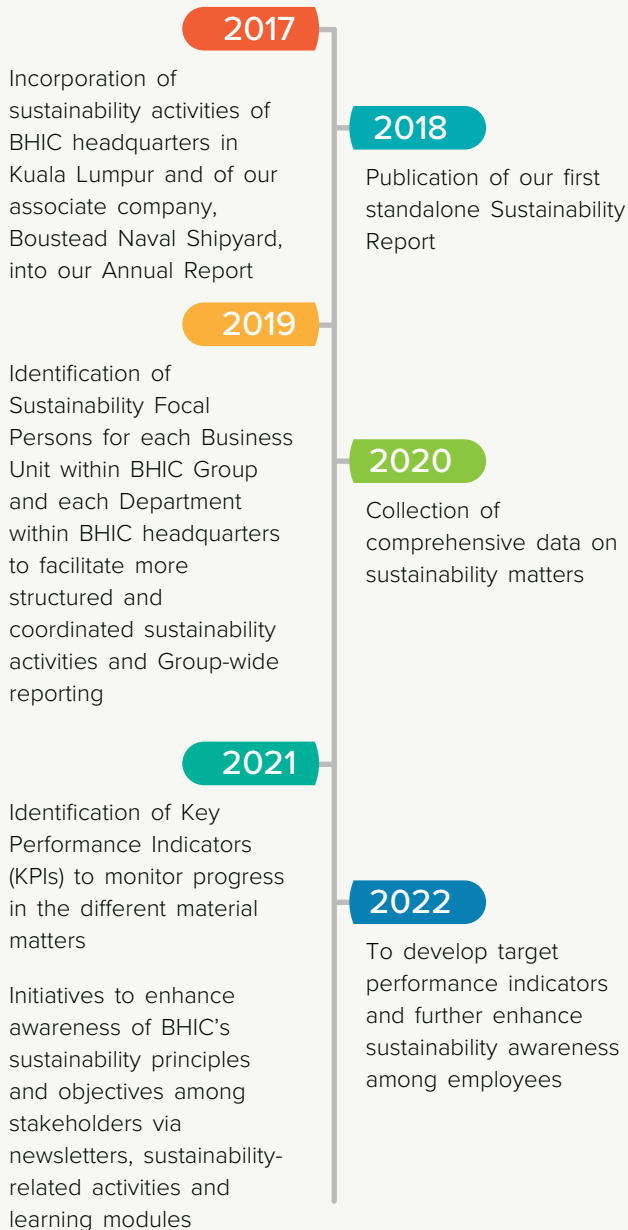
In fulfilling our sustainability agenda, we are guided by our Sustainability Policy which embeds economic, environmental and social (EES) principles into our entire value chain. The policy is available on our corporate website for easy reference of our employees and stakeholders. We believe it is important for our employees to understand the importance of sustainability, hence are investing into programmes to increase awareness of various key sustainability issues and to encourage them to play their part in becoming agents of change for the betterment of the economy, environment and society.



We are committed to managing and mitigating some of the world's most pressing issues. We have identified ways in which our initiatives can support the United Nations' Sustainable Development Goals (UN SDGs) and Malaysia's sustainability agendas. Initiatives undertaken towards this end are described in the Sustainability Review section of this Sustainability Statement.

## OUR SUSTAINABILITY JOURNEY

While we have always sought to create value for our stakeholders, our formal sustainability journey began in 2017. Milestones achieved thus far are illustrated below.



## SUSTAINABILITY GOVERNANCE

Sustainability at BHIC is led by our Board of Directors, which has the overall responsibility for our sustainability direction and performance. Our Board is assisted by a Board Sustainability Committee (BSC) comprising four members who meet at least twice a year to provide guidance and direction to the company's sustainability initiatives. At the management level, the Management Sustainability Committee (MSC) ensures that we fulfil our sustainability objectives, policies and agenda. The MSC comprises eight members and is led by our Chief Executive Officer.

### BOARD OF DIRECTORS

Responsible for overseeing the Group's overall sustainability strategy and direction

### BOARD SUSTAINABILITY COMMITTEE (BSC)

Assists the Board in discharging its oversight duties pertaining to the Group's sustainability objectives, policies and practices

### MANAGEMENT SUSTAINABILITY COMMITTEE (MSC)

Ensures that the Group fulfils its sustainability objectives, policies and agendas. Oversees sustainability reporting within the Group and advises BSC on sustainability matters

### STRATEGIC PLANNING & TRANSFORMATION (SPT) DEPARTMENT

Acts as MSC's secretariat and custodian for all sustainability initiatives and reporting within the Group

### SUSTAINABILITY FOCAL PERSONS AT CORPORATE OFFICE / BUSINESS UNITS

Execute, monitor and liaise with SPT on reporting and implementation of sustainability matters at the corporate office and Business Units

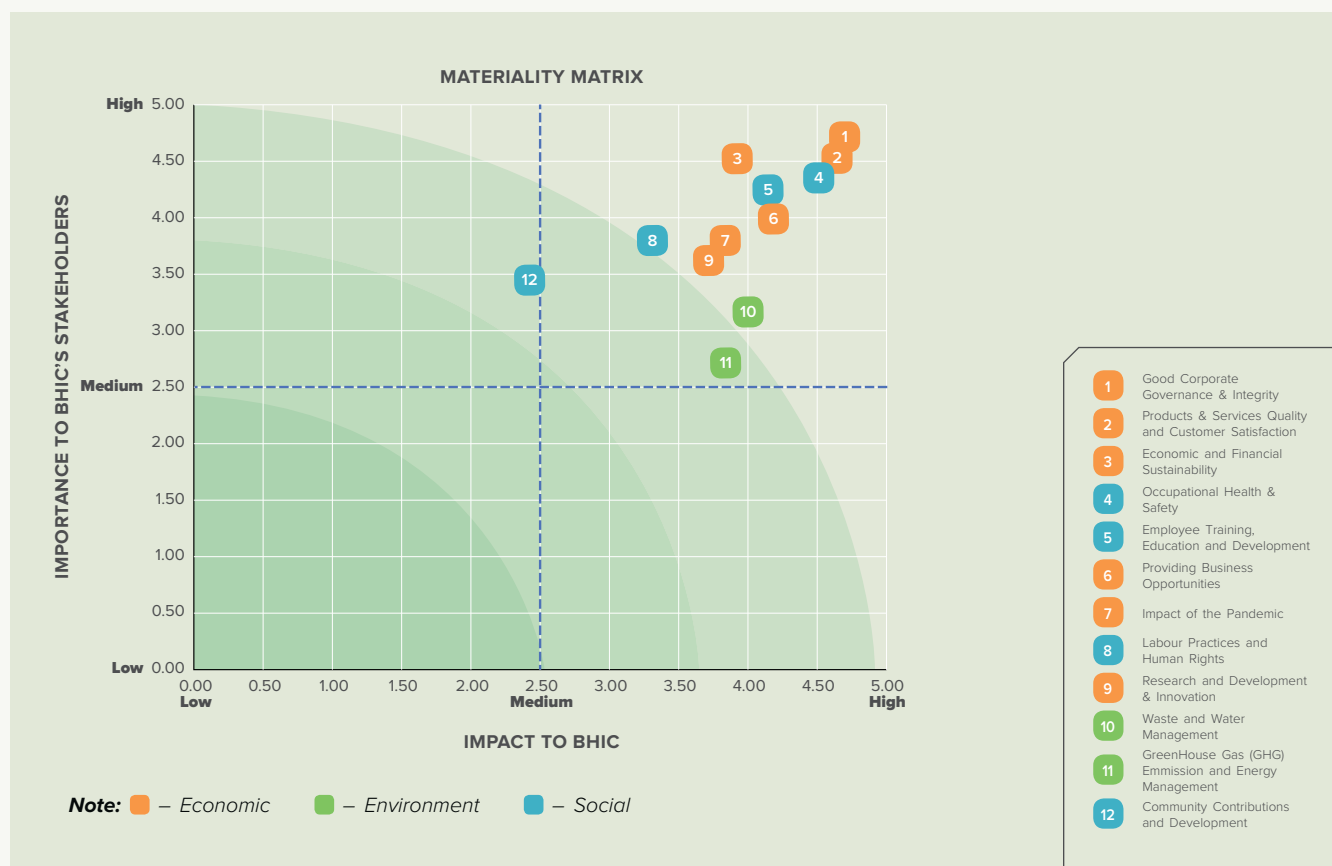
## SUSTAINABILITY @ BHIC

### OUR MATERIAL MATTERS

In 2019, we undertook a comprehensive materiality assessment to determine matters that were important to our stakeholders as well as to BHIC. The assessment followed a four-step process involving:

- Identification of issues
- Identification of stakeholders
- Assessment of relative importance and impact on stakeholders
- Validation of our materiality matrix

Through this assessment, we identified 12 material matters. In 2020, we added another material matter, namely 'Impact of the Pandemic'. In 2021, our management determined that these 13 material matters continue to be relevant, however we have combined 'Water Management' and 'Waste Management' into 'Waste and Water Management'. Hence, we still have 12 material matters, which will be the subject of our disclosure in this Sustainability Review.



For ease of reading the Sustainability Review section of this statement, we have categorised the material matters into Economic, Environment and Social areas.



## SUPPORTING THE UN SDGs

Through our sustainability initiatives, we hope to contribute towards global efforts to redress important social and environmental issues. As a guidance, we have mapped our material matters against the relevant UN SDGs.

	Material Matter	UN SDG	SDG Icons
1	Good Corporate Governance and Integrity	Peace, Justice and Integrity	
2	Products and Services Quality and Customer Satisfaction	Responsible Consumption & Production	
3	Economic and Financial Sustainability	Decent Work and Economic Growth	
4	Occupational Health & Safety	Good Health and Well-Being Decent Work and Economic Growth	 
5	Employee Training, Education and Development	Quality Education Decent Work and Economic Growth	 
6	Providing Business Opportunities	Decent Work and Economic Growth	
7	Impact of the Pandemic	Good Health and Well-Being Sustainable Cities and Communities	 
8	Labour Practices and Human Rights	Zero Hunger Gender Equality Peace, Justice and Integrity Decent Work and Economic Growth	   
9	Research and Development & Innovation	Industry, Innovation and Infrastructure	
10	Waste and Water Management	Clean Water and Sanitation Life Below Water Life on Land	  
11	Greenhouse Gas (GHG) Emissions and Energy Management	Affordable and Clean Energy Climate Action Life on Land Life Below Water	   
12	Community Contributions and Development	Good Health and Well-Being Reduced Inequalities Sustainable Cities and Communities	  



# SUSTAINABILITY REVIEW



“

A viable financial performance allows us to balance shareholder value with the needs of society, the nation's economic growth and environmental protection.”

## ECONOMIC PERFORMANCE

The Group strives to achieve economic success through unrelenting 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 environmental protection. Ultimately, the objective of attaining good economic performance is to generate positive outcomes for all our stakeholders.

### PRODUCTS AND SERVICES QUALITY & CUSTOMER SATISFACTION

#### Project Management Programme

Most of the work undertaken by BHIC comprises high-value, long-term projects that involve many parties. To ensure a consistently high quality of products and services, timely delivery and the efficient management of costs across projects, it is important to have skilled personnel in Project Management. Accordingly, in 2019 our Group Human Capital Management (GHCM) Department introduced a structured BHIC Project Management Professional (PMP) Certification Programme which we encourage our employees to undertake. To date, five employees have successfully completed the five-phase training and obtained their PMP certification.

#### Project Risk Assessment

To support our project management capabilities, a Project Risk Management Plan was established in 2014. Under this plan, our Project Managers are required to assess, record and manage all risks associated with their respective projects. The risk assessment is conducted via workshops or meetings in which key stakeholders are represented in order to be thorough and to create transparency. Once the risks are identified, they are recorded in a Risk Register. The Project Managers then monitor these risks throughout the projects' life cycle. If needed, key risks will be escalated to the Management.

To ensure its continued relevance, our Project Risk Management Plan was revised in 2019.

### Early Delivery of LMS Vessel

In mid-January 2021, BHIC delivered the second Littoral Mission Ship (LMS) to the Royal Malaysian Navy (RMN). The ship had been slated to be handed over in mid-February under a revised schedule but was completed and delivered one month earlier, despite the ongoing pandemic. Later, in September and December, the third and fourth LMS units were also delivered, successfully completing the programme. All four LMS units, built in collaboration with Wuchang Shipbuilding Industrial Group Shipyard (WSIG) in Shuangliu, China, comply with the Rules of Classification of Naval Ship 2016 (RSCNS 16) issued by China Classification Society, a member of the prestigious International Association of Classification Societies.

### Customer Engagement

We engage regularly with our customers through project management meetings as well as monthly project management reviews. These are complemented by informal discussions at project sites regarding progress and operational matters. In addition, customer satisfaction surveys are issued periodically as required either monthly, quarterly or upon the completion of projects. These surveys provide invaluable feedback from our customers' perspective.

### Partnerships

Over the years, BHIC has built a high level of technical expertise through experience as well as collaborations with leading international players in the defence sector. Our partners include Airbus Defence and Space, French defence company Naval Group (previously known as DCNS), as well as Swedish arms manufacturer BOFORS, which today is part of British defence, security and aerospace multinational company BAE.

- With Airbus Defence and Space, we have developed local capabilities to carry out maintenance, repair and overhaul (MRO) works for the H225M (formerly known as EC725), Fennec and Dauphin helicopters
- With Naval Group, we are developing capabilities in the design and construction of naval vessels such as the Littoral Combat Ship (LCS) while enhancing our MRO and refit capabilities for Prime Minister Class Scorpene submarines of the Royal Malaysian Navy (RMN)
- Our partnership with BOFORS has enabled us to develop a high level of competency in the maintenance and repair of naval guns

### Superior Submarine Service

Our joint venture company BDNC and subsidiary BSES provide In-Service Support (ISS) and Refit services to RMN's Prime Minister Class Scorpene submarines. Thanks to the quality service, we have managed to optimise the operational availability of RMN's submarines generating cost savings of approximately RM10.2 million in 2020 and 2021, with expected subsequent savings of about RM1.5 million annually.

### Certifications

BHIC Group of Companies has attained various quality management certifications that guide our systems and processes, assuring a consistently high quality of products and services.

ISO certifications attained by BHIC companies:

#### → ISO 9001:2015 Quality Management Systems

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

#### → ISO 45001:2018 Occupational Health & Safety Management

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

#### → ISO 37001:2016 Anti-Bribery Management System

- ✓ Boustead DCNS Naval Corporation Sdn Bhd

Malaysia Defence Industry Council (MIDES) assessment

#	Company	Assessment/ Rating
1	BHIC Bofors Asia Sdn Bhd	4 Star
2	BHIC Defence Techservices Sdn Bhd	4 Star
3	BHIC AeroServices Sdn Bhd	4 Star
4	Boustead DCNS Naval Corporation Sdn Bhd	5 Star

## SUSTAINABILITY REVIEW

### ECONOMIC AND FINANCIAL STABILITY

Economic and financial stability is critical to the sustainability of our business hence also to our ability to create value for our stakeholders. We therefore place priority on ensuring the capability to generate good financial results. Our efforts are supported by constant realignment of our strategies according to the risks and opportunities presented in our operating environment. In 2021, our parent company Boustead Holdings Berhad (BHB) launched the Reinventing Boustead programme to transform Boustead Group into a high-performance and sustainable organisation. This programme complements our ongoing Performance Improvement Programme which has the ultimate objective of transforming BHIC Group into a high-performance, digitally-driven and sustainable organisation.

We had been registering losses after tax since FY2018, mainly owing to the stalled Littoral Combat Ship (LCS) project. Nonetheless, the Government announced in March 2022 to continue with this project of national interest.

Meanwhile, the Group recorded revenue of RM149.2 million for FY2021 and achieved a turnaround in profits, attaining a profit after tax of RM15.2 million. The Group also sustained a high level of activities in 2021, as depicted in the table below.

Number of completed projects during the year:

	2020	2021
 <b>Marine</b>	MRO on: <ul style="list-style-type: none"> <li>• <b>6</b> naval ships</li> <li>• <b>61</b> commercial ships (yachts and ferries)</li> </ul>	MRO on: <ul style="list-style-type: none"> <li>• <b>2</b> naval ships</li> <li>• <b>78</b> commercial ships (yachts and ferries)</li> </ul>
 <b>Aerospace</b>	<ul style="list-style-type: none"> <li>• MRO on <b>3 EC725</b> helicopters</li> </ul>	<ul style="list-style-type: none"> <li>• MRO on <b>5 EC725</b> helicopters</li> </ul>
 <b>Weapons &amp; Combat Systems</b>	MRO on: <ul style="list-style-type: none"> <li>• <b>3 units</b> of Oto Melara (76 mm) guns &amp; Oto Breda (30mm) guns</li> <li>• <b>45 units</b> of Bofors guns</li> </ul>	MRO on: <ul style="list-style-type: none"> <li>• <b>1 unit</b> of Oto Melara (76 mm) guns</li> <li>• <b>44 units</b> of Bofors guns</li> </ul>

For more information on our financial performance please read our CEO's Statement on page 024 of this IR.


### PROVIDING BUSINESS OPPORTUNITIES

As a key player in the defence and security sector in Malaysia, BHIC recognises our responsibility to develop a healthy ecosystem of service providers and other vendors and suppliers to support defence and security programmes of national importance. We have been contributing significantly to the national economy through our Vendor Development Programme (VDP) as well as the award of contracts to various small and medium-sized enterprises (SMEs). In the process, we have been increasing local content by enabling local suppliers/vendors to be involved in projects undertaken by the Group.

#### Vendor Development Programme (VDP)

We initiated the VDP in 2007 with the express intention to help grow local SMEs and entrepreneurs. Through this facilitating training programme, and with the cooperation of MEDAC, SME Bank and MIDF, our vendors receive support to address their skills gaps in technical, operational and management areas. Despite the pandemic, we have continued to conduct various training and engagement sessions online while providing other forms of support.

VDP support extended in FY2021


**Funds/grants**

**RM777,915** VDP Grant (GPPV) provided to VOSS Engineering Sdn. Bhd. by MEDAC, with assistance from BHIC

We currently support **36 vendors** under our VDP scheme, and have a total of **2,661 registered vendors**. Of these, 2,045 are local vendors.

### BDNC's Localisation Initiative

Our joint venture company, BDNC, was established in 2009 to develop local skills and capabilities in the niche area of MRO for submarines. Among others, BDNC provides ISS and Refit services to RMN's Prime Minister Class Scorpene submarines. In 2020, BDNC established a Localisation Initiative Programme to elevate national technological know-how and reduce dependence on foreign expertise. To date, it has contracted out more than RM700 million worth of submarine maintenance work to over 150 Malaysian-owned companies.

As a result of this localisation programme, BDNC has achieved various national milestones, including:

- ✓ Completion of the country's first submarine refit works, and the first Scorpene refit work outside France
- ✓ Development of 100% in-house Hull Inspection Plan (HIP)
- ✓ 100% in-house involvement in diesel engine valve technical anomaly rectification works
- ✓ In-house acoustic panel fabrication
- ✓ Localisation of nuclear detection sensor maintenance
- ✓ Multiple in-house submarine equipment obsolescence treatments
- ✓ In-house major design and manufacturing of a submarine bridge maintenance platform
- ✓ Development of in-house R&D tools for sonar panel fault verifiers, navigation subsystem equipment functional analysers, safety breathing and life raft container leak test benches

In FY2021, the following provided various services to BDNC:

- i) Forte Drus Sdn Bhd (attack periscope, search optronic masts and radar)
- ii) Unimekar Metals Sdn Bhd (pipe galvanisation)
- iii) Sapura Thales Electronics Sdn Bhd (electrical & combat system)
- iv) Voss Engineering Sdn Bhd (pump maintenance & test facilities)
- v) Keisha Marine East Malaysia (full maintenance & verification of Fenzy Emergency Life Support Apparatus)
- vi) Multipower Engineering Sdn Bhd – localisation for machining custom-made submarine parts
- vii) ES Jesselton Engineering Sdn Bhd – localisation and rectification work (repair & machining new) of Attack Periscope Hoist Ram
- viii) SAT Industries Sdn Bhd – Leroy Somer motor repair

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

BHIC places strong emphasis on R&D and innovation in order to produce cutting-edge products, services and solutions to meet the demands of our customers. To maintain our technological edge, we invest in R&D activities with a focus on ship design, ship integration, equipment life extension and process improvement.

A major R&D success has been the development of Malaysia's first ever design for an offshore support vessel which was produced as an Entry Point Project under the Economic Transformation Programme launched by the Government in 2011. Featuring a high level of local content, this design has received the stamp of approval from Bureau Veritas, one of the world's leading classification societies.

Supporting the maintenance of quality standards, especially in the areas of design and engineering capabilities, we have forged partnerships with four local universities – UTM, International Islamic University Malaysia (IIUM), Universiti Pertahanan Nasional Malaysia (UPNM) and Universiti Malaysia

Terengganu (UMT). We also undertake continuous improvement projects and cost-saving exercises to attain better service at lower cost.



**167**

continuous improvement projects completed in 2021, enabling cost saving of

**RM7.8 Million.**

In recent years we have also been investing into the development and implementation of more digital technologies to benefit from the operational and cost savings that these bring. Digitalisation is part of the Reinventing Boustead strategy and is being embraced by all our subsidiaries, associate companies and joint venture companies. For a start, we have introduced online learning and online document collaboration, the former to ensure our employees are able to continue to develop their professional capabilities despite the pandemic; and the latter to facilitate access to information and documents, especially by those working remotely.



## SUSTAINABILITY REVIEW

### Digital transformation at BNS

Our associate BNS is making good progress in building an online platform to facilitate business operations and monitor key business parameters. Via an Engineering Change Request (ECR) and Quality Control Dashboard, it is able to undertake data analysis to improve productivity. It has also introduced the MyBNS Digital Employee Experience (DEX) System which creates greater efficiencies across the Human Resources (HR) function.

DEX incorporates the following features:



### GOOD CORPORATE GOVERNANCE & INTEGRITY

Corporate governance serves as the foundation for our business sustainability as it ensures we operate transparently and uphold integrity in our actions and transactions at all times. Corporate governance at BHIC is driven by our Board of Directors which sets the tone from the top, entrenching a culture of zero tolerance for any form of bribery or corruption. In maintaining best practices in governance, the Board is guided by frameworks such as Securities Commission Malaysia's Malaysian Code on Corporate Governance updated as of 28 April 2021 (MCCG) and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Securities Berhad.

#### Policies and Processes

Supporting good governance practices and to cultivate a culture of integrity, we have various policies and processes that guide our employees, business partners and vendors in conducting business ethically.



BDNC signing pledge with MACC, Sabah

To reaffirm our commitment to integrity, in 2017/2018 BHIC undertook the Integrity Pledge. Meanwhile, our joint venture company BDNC signed the Malaysian Anti-Corruption Commission (MACC) Corruption-Free Pledge at a ceremony in Kota Kinabalu, Sabah, on 9 March 2021. BDNC also successfully obtained the ISO 37001:2016 Anti-Bribery Management System (ABMS) certification from SIRIM in April 2021.



BDNC Chief Executive Officer, Feroz Razi Ramli at the signing ceremony of the Corruption-Free Pledge with MACC

For more information on these policies/guidelines, please refer to the Corporate Governance Overview Statement in this IR, on pages 098-116.

Any act of impropriety by our employees or officers of the company can be reported and submitted via e-mail at [whistleblowing@bhic.com.my](mailto:whistleblowing@bhic.com.my) or hardcopy addressed to:

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

In 2021, no whistleblowing reports were received through the two channels.

### Engagement with MACC

Since 2020, we have been engaging with MACC to create a culture of integrity in BHIC and within the Group. In 2021, we conducted three training and awareness programmes with MACC on Section 17A of the MACC Act 2009 which requires companies to ensure adequate provisions are in place to prevent corruption. These sessions were attended by members of our Board of Directors and employees.

To date, we have been leveraging the Integrity and Governance (I&G) function of BHB to oversee the climate of integrity at BHIC. Moving forward, the Group will further engage with the unit to strengthen the I&G function in BHIC and across companies in the Group.

### IMPACT OF THE PANDEMIC



Since the outbreak of the COVID-19 pandemic, companies globally have had to face the twin challenges of maintaining business continuity while keeping their workforce safe. Even before COVID-19 was declared a global pandemic, BHIC had already rolled out a Business Continuity Plan (BCP) to safeguard critical business functions and ensure the ability to keep our operations going while enabling a large segment of our employees to work remotely.

With the BCP already in place, we managed to quickly ensure that our IT infrastructures were able to support all office-based employees working remotely. Once this was assured, we provided our employees with laptops and a virtual private network (VPN) for them to access dedicated company applications such as our Intranet portal MyCompass and AVEVA MARS system from home. At the same time, we ensured our core Information and Communication Technology (ICT) systems and applications remained robust, further protecting our data and enabling quick recovery under our ICT Disaster Recovery Plan should any incident happen.

Subsequently, we set up split-team operations in which two teams took turns to work remotely and in the office. For employees coming to work in the office, we ensured that various SOPs as provided by the Ministry of Health and those formulated internally were adhered to strictly. These include scanning at entry points, temperature checking, the use of masks, and maintaining social distance. We also conduct regular cleaning and sanitisation of our premises to ensure a high level of hygiene while protecting the health and safety of our employees.

“ Upon the roll out of the national vaccination programme in 2021, we encouraged all our employees to be vaccinated. In addition, BNS donated hand sanitisers to RMN personnel, food baskets to employees affected by the Extended Movement Control Order and SIM cards and reloads for volunteers of the COVID-19 Vaccination Programme organised by the Perak Marine Department. ”

To reduce as much as possible the risk of infection, we have shifted almost all our stakeholder engagement activities online, using technologies such as video conferencing and sharing of content on the cloud. For the first time ever, our Annual General Meeting in 2020 was successfully held virtually and attended by 411 participants. There were no technical glitches and the entire event proceeded smoothly.

For more information on how we have managed to reduce the risk of infection since the pandemic, please refer to *Engaging With Stakeholders During the Pandemic* on page 044 of this IR.



## SUSTAINABILITY REVIEW



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To guide our environmental performance, BHIC and our Group of Companies strictly adhere to the Environmental Quality Act 1974 and comply with all environmental-related rules and regulations.”

# ENVIRONMENTAL PERFORMANCE

We recognise the need to play our part in protecting the environment by minimising the depletion of natural resources, disposing of wastes properly and contributing towards the transition to a low-carbon economy. To guide our environmental performance, BHIC and our Group of Companies strictly adhere to the Environmental Quality Act 1974 and comply with all environmental-related rules and regulations.

### WASTE AND WATER MANAGEMENT

Waste management efforts at BHIC are led by conscientious efforts to reduce the use of materials in our operations hence also the volume of waste generated. Within our office premises, we encourage recycling among employees to reduce our waste-to-landfill footprint. Recognising that water is a scarce commodity, we also promote its responsible consumption and plan to implement rainwater harvesting in certain sites in 2022.

### Scheduled Waste Management

We generate 16 categories of scheduled waste as listed in the table below:

No.	Scheduled Waste Code	Metric Tonnes (2020)	Metric Tonnes (2021)
1	SW 102 – Lead acid batteries in whole or crushed form	Nil	1.5
2	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	48.1	Nil
3	SW 303 – Glue waste	Nil	0.0
4	SW 305 – Spent lubricating oil	57.9	70.5
5	SW 306 – Spent hydraulic oil	1.6	1.7
6	SW 309 – Oil-water mixture such as ballast water	423.5	348.0
7	SW 312 – Oily residue from automotive workshop, service station oil or grease interceptor (grease)	0.2	0.1
8	SW 322 – Non-halogenated organic solvents	Nil	0.0
9	SW 325 – Uncured resin waste containing organic solvents or heavy metals including epoxy resin and phenolic resin	Nil	0.0
10	SW 409 – Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	2.0	1.0
11	SW 410 – Rags, plastics, papers or filters contaminated with scheduled wastes	0.4	0.6
12	SW 416 – Sludge comprising inks, paints, pigments, lacquer, dye or varnish	0.6	1.7
13	SW 418 – Discarded or off-specification inks, paints, pigments, lacquer, dye or varnish products containing organic solvents	1.0	0.2
14	SW 427 – Mineral sludge including calcium hydroxide, phosphates, calcium sulphite and carbonates (soda lime)	6.9	2.0
15	SW 429 – Chemicals that are discarded or off-specification	0.1	0.0
16	SW 501 – Any residue from treatment or recovery of scheduled wastes (benzotriazole & water up-liquid)	0.1	Nil
<b>Total</b>		<b>542.2</b>	<b>427.4</b>

In 2021, we generated a high volume of lead acid battery waste due to increased activity at our workshops as well as from tug boat operations. All scheduled waste is stored safely in secured areas and disposed of by third-party contractors licensed by the Department of Environment.

### Scrap Metal

Scrap metal is recycled in order to reduce waste to landfill as well as to generate income. During the year, BNS reduced the volume of scrap metal discarded by 94,925 kg, achieving about RM159,246 in savings.

## SUSTAINABILITY REVIEW

### e-Waste Management

e-waste consists of unwanted or old/obsolete electronic equipment including batteries, TV sets, personal computers, laptops, air conditioners, washing machines, refrigerators and welding machines, among others. Such waste is becoming a global issue because of: 1) the exponential increase in demand for electronic equipment; and 2) the fact that these equipment contain hazardous materials such as lead and mercury. If they are not disposed of correctly, leachate from such waste would cause significant environmental damage, especially to subterranean water tables.

Recognising that many such items can be repurposed, reused, refurbished or recycled, BHIC launched an e-waste recycling initiative from July to December 2021. The e-waste were collected, sorted and sent to approved recycling centres.



BHIC employees handing over their e-waste items at e-waste collection centre



### Water Management

Water consumed at BHIC is supplied by municipal water companies and is not extracted directly from the ground. To ensure responsible consumption, we run awareness programmes for employees on the importance of conserving water via our periodic e-newsletter on sustainability matters. In one of the e-newsletters, methods and awareness to conserve and minimise usage of water was shared.

	2020	2021
Water consumption (m <sup>3</sup> )	274,566	224,874

For the year, we recorded an 18.1% decrease in water consumption compared to 2020. This was due to conscious efforts by employees to reduce water usage and to rectify leakages from broken pipes and taps immediately.

### Reduced Paper Consumption

We seek to reduce our paper consumption as part of more general efforts to use materials and natural resources responsibly. Messages on saving paper are communicated regularly to employees through our periodic sustainability e-newsletter and sustainability-related contests and campaigns.

As we digitalise our operations, we are moving towards a paperless environment. The following are among various digital applications that are helping us to reduce our paper consumption:

- Digitising employees' leave, travel and overtime requests, gate passes for visitors entering our shipyard, and obtaining customer feedback
- Keeping all ISO documents in our Intranet portal, MyCompass
- Using e-mail and softcopy for internal and external communication
- Using e-signatures for documents and correspondence

### Greenhouse Gas Emissions & Energy Management

We seek to be energy-efficient throughout our operations in order to reduce our carbon emissions. Among others, we identify high-energy activities and seek ways to enhance efficiencies in order to reduce our overall energy consumption.

The following are some of the initiatives undertaken to create energy efficiency across BHIC:



Proper asset management and maintenance, ensuring equipment are able to function at optimum levels of energy efficiency



Replacing conventional lights with LED lighting



Switching off air conditioners and lights when people are not using particular spaces



Switching off all lights and air conditioners after office hours

### GHG Emissions

We measure and monitor our Scope 1 and Scope 2 GHG emissions – the former being direct emissions from our operations and the latter representing indirect emissions associated with the purchase of electricity.

#### Scope 1 emissions by BHIC Group according to source

Scope 1 emissions (TCO <sub>2</sub> e)	FY2020	FY2021
Heavy Machinery	349.5	156.0
Welding and Oxygen-Cutting	17.3	11.1
Cars and Motorcycles	50.7	46.0
Light and Heavy Goods Vehicles	29.6	110.4
<b>TOTAL</b>	<b>447.1</b>	<b>323.5</b>

#### Scope 2 emissions

Scope 2 emissions	FY2020	FY2021
Purchased Electricity (kWH)	9,802,600	8,627,138
Emissions (TCO <sub>2</sub> e)	6,917.6	6,099.3

Both Scope 1 and Scope 2 emissions dropped, by 27.6% and 11.8% respectively from 2020 to 2021, due to lower level of onsite activities and having employees work remotely.

## SUSTAINABILITY REVIEW



“

We also demonstrate the value we place in our employees by offering competitive remuneration and benefits as well as opportunities for training and career progression.”

## SOCIAL PERFORMANCE

Our social citizenry is marked by efforts to care for the welfare of our employees, local communities and society at large.

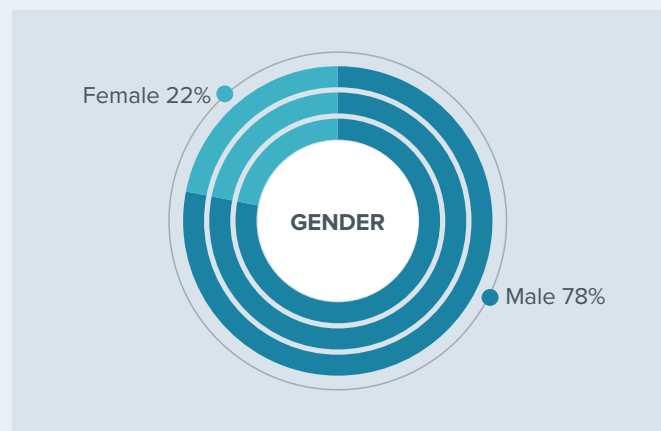
Within our premises, we seek to provide a conducive work environment that is safe, fair and just while embracing diversity and inclusivity. We also demonstrate the value we place in our employees by offering competitive remuneration and benefits as well as opportunities for training and career progression. Our intention is to build a highly motivated and high-performance workforce that shares our values and is driven to achieve our corporate objectives.

Within society, the Group's corporate social responsibility initiatives allow us to contribute to the communities in which we operate. While focused on veterans and serving members of the Malaysian Armed Forces as well as their families, we also contribute to the community at large, as underlined by our pandemic efforts.

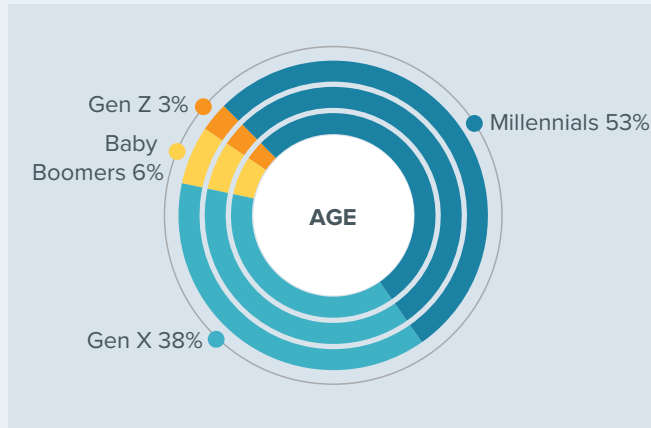
### EMPLOYEE DIVERSITY

We recognise the benefits that diversity brings to the workplace, especially in enriching our collective perspective which will enable more effective strategising and decision-making. We therefore seek to create a diverse employee profile with a good representation of different ages and gender. As indicated in the pie charts, 56.6% of our employees are aged 40 years or below, and the average age of our employees is 40 years, reflecting a relatively youthful organisation. Guided by our Recruitment Policy, we base our selection of new hires on individual merit, capabilities and skills. Wherever possible, we also give preference to local talents hence develop local skills, capabilities and expertise in order to propel the growth of local marine and aerospace sectors.

### Employee profile







Gen Z – Born after 1996  
 Millennials – Born between 1981 and 1996  
 Gen X – Born between 1965 and 1980  
 Baby Boomers – Born between 1955 and 1964

## OCCUPATIONAL HEALTH AND SAFETY

Given the nature of our operations, there is an inherent risk of injury at our worksites particularly our shipyards, aeroservice hangars and workshop floors. We are, however, committed to minimising this risk by creating a work environment that is as safe as practicable. While we implement processes and controls to ensure the safety of our employees, clients and contractors, we also seek to nurture a culture of safety in which employees are conscious of their own responsibility to look after their safety and the safety of others.

The Group has in place a Safety and Health Policy that adheres to the Occupational Safety and Health (OSH) Act 1994 while incorporating national and international standards and regulations, including the principles of the International Labour Organization (ILO) and Malaysia's Department of Occupational Safety and Health (DOSH). Through our internal policy, we ensure that all the necessary safety and health precautions are incorporated into our operations.

Further strengthening our safety management, two of our subsidiaries – BNS and BDNC – have attained the ISO 45001:2018 Occupational Health and Safety Management System certification.



In addition to ensuring their safety, we encourage our employees to adopt healthy lifestyles. During the year, the following initiatives were carried out to promote their health and well-being:

- BNS – Daily morning exercise and morning cleaning carried out by all employees
- BNS – On-site health checks conducted on 10, 17 & 22 February
- BNS – Virtual 'Importance of Vaccination' talk on 2 September
- BNS – SOHELP DIY by DOSH on 15 November
- BNS – Webinar titled 'Minda Sihat Emosi Terjaga' on 26 November

## Safety Performance

The Group recorded four lost time incidents (LTI) and zero fatalities across all operations in 2021. The LTI injuries were non-life threatening and consisted of burns, sprains and bruises.



## EMPLOYEE TRAINING, EDUCATION & DEVELOPMENT

We recognise that our employees are our most valuable asset as they determine our ability to meet our sustainable growth objectives. Our human capital development approach, therefore, is premised on enabling our employees to realise their potential as they contribute to a high-performance culture coupled with productivity.

As part of our investment in the growth of our talent, we provide continuous training and development opportunities for employees to upskill and expand their horizons. Given that our operations are highly dependent on engineering and project management skills, training at BHIC focuses on the development of skills relevant to these two areas. In addition, we offer soft skills training that empower personal growth.



## SUSTAINABILITY REVIEW



Nurul Aini Mohd Ariffin, the first female Project Manager at BNS

We also encourage employees to pursue professional skills training to improve their knowledge and marketability. Initiatives made in this area include sponsorship for the Project Management Professional (PMP) certification and the Professional Engineers Development Programme (PEDP). In promoting gender equality, a female employee at BNS who joined as a Technical Executive in 2007 was promoted as the first female Project Manager, since the incorporation of the business unit in 1991.

Since the pandemic, most of our training programmes have been conducted online. In June 2021, our Group Human Capital Management introduced MyLearning, an online platform featuring almost 400 training modules in various areas, greatly facilitating the ease with which employees can acquire new knowledge and skills.

	Amount invested in training & development	No. of hours spent on training & development
2020	RM778,774	28,615
2021	<b>RM501,041</b>	<b>23,159</b>

Training expenditure, according to employee grade/level

Level	2020 (RM)	2021 (RM)
Senior Management	42,975	<b>18,035</b>
Middle Management	144,433	<b>66,357</b>
Executive	274,889	<b>298,129</b>
Non-Executive	316,477	<b>118,520</b>
<b>Total</b>	<b>778,774</b>	<b>501,041</b>

The amount spent on training decreased significantly from 2020 to 2021 due to the fact that we transitioned our training activities from physical settings to online platforms.

### Employee Engagement

Other than training, we ensure a high level of employee engagement to nurture a sense of belonging to the Group as this enhances job satisfaction while encouraging efficiency and productivity. Our senior management regularly engage with employees through events such as site visits and Townhalls to keep them updated on developments within the Group. We also leverage various internal platforms to communicate work-related as well as interest-related news and events. These include an e-newsletter, memos, e-mails, social messaging apps, our intranet portal MyCompass and our social media page on LinkedIn.

Prior to the pandemic, BHIC regularly organised social and sports activities to build a strong team spirit and feeling of camaraderie amongst our employees. Since COVID-19, some of these activities have shifted online.

### LABOUR PRACTICES AND HUMAN RIGHTS

The Group fully embraces all universally acknowledged principles of human rights. We treat everyone in our team with utmost respect and dignity, guided by applicable laws and regulations including the Employment Act 1955, Trade Union Act 1959 and Contracts Act 1950 in Malaysia.

In line with regulatory requirements, we do not employ anyone below the age of 18, nor will we coerce anyone into working for the Group.

As an equal opportunity employer, we do not tolerate any form of discrimination – be it based on race, nationality, gender, religion, (dis)ability, age, place of origin or any other factor. We hold ourselves and our employees to the highest ethical standards in deference to our core values as reflected by the BHIC acronym, which stands for Belonging, Honour, Integrity and Commitment.

We also uphold our employees' right to freedom of association and are supportive of their joining local unions such as the BNS and BPS Unions. We have a good relationship with these unions, with management regularly engaging with their leaders at special meetings and Townhalls. These engagements contribute to mutual understanding and respect which promote harmonious industrial relations and a sustainable business environment.

Negotiations on the fifth Collective Agreement (CA) were held between BNS and Boustead Penang Shipyard (BPS)' Employees Union on 20 December 2021.



Group photo of meeting with union representatives at BNS

## COMMUNITY CONTRIBUTIONS AND DEVELOPMENT

As a responsible organisation, we contribute to the local communities in areas where we operate, not only because it is expected of us but because we believe strongly that it is the right thing to do. Committed to creating positive social outcomes, we support various causes that resonate with our core values. Our ultimate objective is to promote greater social equity by empowering those who are underprivileged, underserved or marginalised.



Blood donation programme held at BNS

## Pandemic-Related Contributions

In the last two years, we have focused our community initiatives on helping to overcome some of the burdens caused by the pandemic.

- BDNC, based in Kota Kinabalu, donated to the Food Bank Station launched by Sabah Economic Development Corporation (SEDCO) in collaboration with NGOs to provide food and essential items to the needy, especially the B40 group.
- BNS donated hand sanitisers to RMN personnel, food baskets to employees affected by the Extended Movement Control Order and SIM cards and reloads for volunteers of COVID-19 Vaccination Programme organised by the Perak Marine Department.
- BNS also organised a blood donation programme on 23 December 2021 at Hospital Seri Manjung, Perak.

## THE WAY FORWARD

We have been strengthening our sustainability platform over the years, and are committed to further advancing our sustainable practices in order to create long-term value for our business, stakeholders and society, while enhancing the economy and protecting the environment. Our objective is to integrate sustainability into all aspects of our operations and business strategies.

Moving forward, we will continue to explore digital and green technologies that will help address social and environmental challenges and improve our sustainability performance by putting in place better systems to collect, measure and monitor key data. This will enable the accurate measurement of our sustainability performance in various metrics and set targets in matters that are important in our sustainability agenda.

This Sustainability Statement has been made in accordance with a resolution of the Board of Directors dated 26 April 2022.

# financial statements

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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 2021.

## 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
Profit/(Loss) net of tax	15,192	(9,472)

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:

Rozi Binti Baharudin\*

Tan Sri Dato' Wira Aziah Binti Ali\*

Dato' Maznah Binti Abdul Jalil\*

(Dr.) Salihin Bin Abang\*

Hajah Saadatul Nafisah Binti Bashir Ahmad\*

Vice Admiral Dato' Syed Zahiruddin Putra Bin Syed Osman (Retired)

Izaddeen Bin Daud

Datuk Norliza Binti Abdul Rahim

Dato' Sri Mohammed Shazalli Bin Ramly

Dato' Ahmad Nazim Bin Abd Rahman

Irfan Bin Hashim (alternate to Dato' Ahmad Nazim)

Datuk Haji Nasarruddin Bin Dato' M Zin

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

Fahmy Bin Ismail

(Appointed on 4 March 2021)

(Appointed on 12 October 2021)

(Appointed on 12 October 2021)

(Appointed on 27 January 2022)

(Resigned on 11 June 2021)

(Appointed in 4 March 2021 and Resigned on 11 June 2021)

\* 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:

Vice Admiral Dato' Seri Panglima Mohammed Noordin Bin Ali (Retired)	
Major General Dato' Che Yahaya Bin Idris (Retired)	
Major General Dato' Ahmad Rodi Bin Zakaria (Retired)	
Dato' Tuan Mustapha Bin Hj Tuan Hussin	
Annuar Faisal Bin Yusuf	
Azhar Bin Abdullah	
Deva Dass A/L Baboo	
Ir. Hairutdin Bin Ayob	
Jeffry Bin Faisal	
Mohamad Bin Mustafa	
Puti Mazura Binti Mashudi	
Sarimah Binti Mat Isa	
Syahida Binti Abdul Kadir	
Zainal Abidin Bin Ahmad	
Sharifuddin Bin Md. Zaini Al-Manaf	
Ahmad Fazril Bin Mohd Fauzi	(Appointed on 29 September 2021)
Datuk Haji Abdul Razak Bin Haji Abdul Rahman	(Appointed on 28 January 2022)
Amli Bin Saprin	(Resigned on 6 January 2021)
Mohd Fakhrol Arifin Bin Adinan	(Resigned on 29 September 2021)
Dato' Mohammad Bin Nik	(Resigned on 1 October 2021)
Hazem Bin Eslah	(Resigned on 12 November 2021)
Commander Dato' Abdul Rahman Bin Husain (Retired)	(Resigned on 26 January 2022)
Ir. Ee Teck Chee	(Resigned on 26 January 2022)

### 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' benefits were as follows::

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Non-executive directors' remuneration:</b>				
Fees	1,504	1,487	1,274	1,220
Allowances	305	448	284	415
<b>Total directors' remuneration</b>	<b>1,809</b>	<b>1,935</b>	<b>1,558</b>	<b>1,635</b>

## DIRECTORS' REPORT

### 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 2021 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' 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			
	1.1.2021	Bought	Sold	31.12.2021
<b>Direct interest:</b>				
Rozi Binti Baharudin	5,000	—	—	5,000

### 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.

### 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 there were no known bad debts 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.



## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION (CONT'D.)

(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.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of the significant events 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Auditors' remuneration paid to Ernst & Young PLT				
– Statutory audit	407	412	157	157
– Others	18	43	18	43
	425	455	175	200

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2022.

(DR.) SALIHIN BIN ABANG

DATO' MAZNAH BINTI ABDUL JALIL

# STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, (Dr.) Salihin Bin Abang and Dato' Maznah Binti Abdul Jalil, 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 156 to 227 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 2021 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 27 April 2022.

**(DR.) SALIHIN BIN ABANG**

**DATO' MAZNAH BINTI ABDUL JALIL**

# STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Ahmad Fazril Bin Mohd Fauzi (MIA No: 35651), 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 156 to 227 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed Ahmad Fazril Mohd Fauzi  
at Kuala Lumpur in the Federal Territory on  
27 April 2022

**AHMAD FAZRIL BIN MOHD FAUZI**  
(MIA 35651)

Before me,

**KAPT (B) AFFANDI BIN AHMAD**

(No W678)  
1-1-2022 to 30-6-2024  
Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

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

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Boustead Heavy Industries Corporation Berhad, which comprise statements of financial position as at 31 December 2021 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 156 to 227.

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 2021, 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 of the Group and of the Company 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 misstatements 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 a subsidiary**

The continued losses reported by a subsidiary of the Company indicated that the investment in the subsidiary amounted to RM267,500,000 as at 31 December 2021 may be impaired. Accordingly, the Company has performed impairment assessment and estimated the recoverable amount of the cash generating unit ("CGU") based on value-in-use ("VIU") method.

Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the CGU, and discounting them at an appropriate rate. Due to the significant judgement and estimates involved in the impairment assessment, we consider this to be an area of audit focus.

## INDEPENDENT AUDITORS' REPORT

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

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

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

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

Our procedures in reviewing the recoverable amount of the CGU are, inter alia, the following with the assistance of our valuation specialists:

- We 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 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; and
- We evaluated the adequacy of disclosures on the impairment of investment in the subsidiary as disclosed in Notes 3(v) and 16 to the financial statements.

##### Impairment assessment of amount due from an associate

As at 31 December 2021, the total amount due from an associate of the Group amounted to RM333,588,000, representing 73% of the Group's total assets.

The Group has performed impairment assessment on the amount due from the associate in accordance with MFRS 9: Financial Instruments. The Group has measured the loss allowance based on lifetime expected credit losses ("ECL") at each reporting date using the probability of default approach. The Group also considered current and forward-looking credit risk information in measuring the ECL allowance.

The aforementioned impairment assessment gave rise to an ECL allowance of RM40,917,000 as at 31 December 2021 as disclosed in Note 21 to the financial statements.

Given the significance of the amount due from the associate to the Group and the significant judgement and estimates involved in the impairment assessment, we have identified this as an area of audit focus.

Our procedures in assessing the ECL allowance are, inter alia, the following:

- We obtained an understanding of the approach applied and evaluated the key assumptions used by the Group in the calculation of ECL allowance such as the assigned loss given default and probability of default;
- We assessed the cash flows availability of the associate based on its cash flow projections and assessed the reasonableness of the expected timing and amount of repayment made by the associate;
- In respect of the associate's cash flow projections, we evaluated the component team's procedures which include the assessment of 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. Component team also evaluated the probability of the associate in securing variation orders by making enquiries with the associate's project teams and reviewing project proposals to obtain an understanding of the status of negotiations and the likelihood of securing the variation orders; and
- We evaluated the adequacy of disclosures on impairment for the amount due from the associate in Notes 3(iv), 21 and Note 35(b) to the financial statements.

## INDEPENDENT AUDITORS' REPORT

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

### REPORT ON 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 skepticism 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 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 skepticism 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

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

No. 02607/12/2022 J

Chartered Accountant

27 April 2022



# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	4	<b>149,186</b>	145,200	<b>1,301</b>	2,421
Operating costs	5	<b>(103,549)</b>	(153,317)	<b>(4,934)</b>	(4,533)
Impairment	6	–	–	–	(12,500)
(Allowance for)/reversal of expected credit losses	7	<b>(9,597)</b>	5,353	<b>5,424</b>	(11,183)
<b>Results from operations</b>		<b>36,040</b>	(2,764)	<b>1,791</b>	(25,795)
Interest income		<b>86</b>	324	–	–
Finance costs	10	<b>(15,323)</b>	(16,575)	<b>(11,263)</b>	(12,619)
Share of results of joint ventures	18	<b>(2,528)</b>	(13,758)	–	–
<b>Profit/(loss) before taxation</b>		<b>18,275</b>	(32,773)	<b>(9,472)</b>	(38,414)
Income tax expense	11	<b>(3,083)</b>	(17,806)	–	–
<b>Profit/(loss) for the year, representing total comprehensive income/(loss) for the year, net of tax</b>		<b>15,192</b>	(50,579)	<b>(9,472)</b>	(38,414)
<b>Basic/diluted profit/(loss) per share attributable to shareholders for the Company (sen)</b>	12	<b>6.11</b>	(20.36)		

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

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2021

		Group	Company		
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	6,056	7,271	238	271
Investment properties	14	10,828	11,503	—	—
Intangible asset	15	—	—	—	—
Right-of-use assets	29	33,436	34,075	7,159	7,237
Investments in subsidiaries	16	—	—	267,500	267,500
Investments in associates	17	—	—	—	—
Investments in joint ventures	18	79,458	82,496	—	—
Trade and other receivables	21	201,330	—	—	—
Deferred tax assets	27	4,408	—	—	—
		335,516	135,345	274,897	275,008
Current assets					
Inventories	20	2,912	3,160	—	—
Trade and other receivables	21	101,896	269,450	61,890	65,381
Contract assets	22	6,516	3,630	—	—
Tax recoverable		383	2,530	—	—
Cash and bank balances	23	4,151	3,498	61	143
Non-current assets held for sale	19	3,885	3,885	—	—
		119,743	286,153	61,951	65,524
Total assets		455,259	421,498	336,848	340,532

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

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 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>(167,866)</b>	(183,058)	<b>(164,820)</b>	(155,348)
Total shareholders' funds		<b>80,592</b>	65,400	<b>83,638</b>	93,110
Non-controlling interests		—	—	—	—
<b>Total equity</b>		<b>80,592</b>	65,400	<b>83,638</b>	93,110
<b>Non-current liabilities</b>					
Loans and borrowings	26	<b>83,512</b>	54,819	<b>82,186</b>	52,373
Deferred tax liabilities	27	—	1	—	—
Lease liabilities	29	<b>7,289</b>	7,209	—	—
		<b>90,801</b>	62,029	<b>82,186</b>	52,373
<b>Current liabilities</b>					
Contract liabilities	22	—	18	—	—
Provisions	25	<b>14,867</b>	12,654	<b>13</b>	—
Loans and borrowings	26	<b>203,934</b>	236,247	<b>154,314</b>	184,627
Trade and other payables	28	<b>57,874</b>	44,324	<b>16,697</b>	10,422
Tax payable		<b>6,533</b>	226	—	—
Lease liabilities	29	<b>658</b>	600	—	—
		<b>283,866</b>	294,069	<b>171,024</b>	195,049
<b>Total liabilities</b>		<b>374,667</b>	356,098	<b>253,210</b>	247,422
<b>Total equity and liabilities</b>		<b>455,259</b>	421,498	<b>336,848</b>	340,532

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

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Attributable to equity holders of the Company		
	Share capital RM'000	Accumulated loss RM'000	Total RM'000
<b>Group</b>			
<b>At 1 January 2020</b>	248,458	(132,479)	115,979
Total comprehensive loss for the year	–	(50,579)	(50,579)
<b>At 31 December 2020</b>	248,458	(183,058)	65,400
<b>At 1 January 2021</b>	<b>248,458</b>	<b>(183,058)</b>	<b>65,400</b>
Total comprehensive income for the year	–	<b>15,192</b>	<b>15,192</b>
<b>At 31 December 2021</b>	<b>248,458</b>	<b>(167,866)</b>	<b>80,592</b>
<b>Company</b>			
<b>At 1 January 2020</b>	248,458	(116,934)	(131,524)
Total comprehensive loss for the year	–	(38,414)	(38,414)
<b>At 31 December 2020</b>	248,458	(155,348)	93,110
<b>At 1 January 2021</b>	<b>248,458</b>	<b>(155,348)</b>	<b>93,110</b>
Total comprehensive loss for the year	–	<b>(9,472)</b>	<b>(9,472)</b>
<b>At 31 December 2021</b>	<b>248,458</b>	<b>(164,820)</b>	<b>83,638</b>

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

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Cash flows from operating activities</b>				
Cash receipts from customers	99,794	106,564	–	–
Cash paid to suppliers and employees	(84,363)	(107,378)	(4,753)	(3,807)
Receipts with related companies	3,844	1,918	16,477	23,394
Net cash generated from operations	19,275	1,104	11,724	19,587
Interest paid	(15,714)	(16,632)	(11,308)	(12,464)
Net income taxes refunds/(paid)	962	(2,133)	–	–
Net cash generated from/(used in) operating activities	4,523	(17,661)	416	7,123
<b>Cash flows from investing activities</b>				
Interest received	31	265	2	31
Proceeds from disposal of property, plant and equipment	129	2	–	–
Purchase of property, plant and equipment for cash	(233)	(191)	–	(14)
Dividend received from joint ventures	510	3,677	–	–
Net cash generated from investing activities	436	3,753	2	17
<b>Cash flows from financing activities</b>				
Lease payment	(686)	(783)	–	–
Repayment of borrowings	(3,620)	(10,120)	(500)	(8,000)
Net cash used in financing activities	(4,306)	(10,903)	(500)	(8,000)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>654</b>	<b>(24,811)</b>	<b>(82)</b>	<b>(860)</b>
Effect of foreign exchange rate changes	(1)	2	–	–
Cash and cash equivalents at beginning of year	3,498	28,307	143	1,003
<b>Cash and cash equivalents at end of year</b>	<b>4,151</b>	<b>3,498</b>	<b>61</b>	<b>143</b>
<b>Cash and cash equivalents at end of year comprise:</b>				
Deposits with licensed banks	23	–	–	100
Cash and bank balances	23	4,151	61	43
	4,151	3,498	61	143

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 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 2021, the Group and the Company is in a net current liabilities position of RM164,123,000 and RM109,073,000 (2020: RM7,916,000 and RM129,525,000) respectively. Included in the total assets of the Group is the amount due from associate of RM292,671,000 (2020: 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), Note 21 (a) 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 2021, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods 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

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 2021

## 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 April 2021

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)

#### 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

#### Effective for annual period beginning on or after 1 January 2023

- 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)
- Amendments to MFRS 101 (Disclosure of Accounting Policies)
- Amendments to MFRS 108 (Definition of Accounting Estimates)
- Amendments to MFRS 112 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

#### 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 2021

### 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 a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. All intragroup 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 2021

## 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 2021

### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

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

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

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

### 2.8 Fair value measurement

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

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

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

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

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### 2.9 Currency conversion

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

### 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%



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

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

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

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

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

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

### 2.11 Investment property

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

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

The 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.

### 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 ("CGU") 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.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

#### 2.13 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss

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

#### 2.14 Financial assets

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

##### Initial recognition and measurement

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### 2.14 Financial assets (cont'd.)

#### 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 profit or loss for both debt and equity instruments.

#### 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 2021

## 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 environment.

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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### 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 2021

### 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 nonlease component as a single component.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 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 2021

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

### 2.23 Revenue

#### Revenue from contracts with customers

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 contracts, 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 2021

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

### 2.23 Revenue (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 2021

### 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 2021

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

### 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 2021

### 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 2021

### 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 cash generating unit ("CGU") or groups of CGU. The recoverable amount is measured at the higher of fair value less costs of disposal (FVLCD) or value in use ("VIU").

#### Investment in subsidiaries

The carrying amount of the Company's investments in subsidiaries as at 31 December 2021 is RM267,500,000 (2020: RM267,500,000).

The Company reviews the carrying amounts of its investments in subsidiary companies at each reporting date to determine whether there is any indication of impairment.

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

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.

There is no further impairment loss recognised on investment in subsidiaries of the Company in the current financial year (2020: RM12,500,000).

#### 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. Based on the FVLCD, there was no impairment required.

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 2021

## 4. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Repair and maintenance	62,495	43,167	–	–
Rendering of services	83,200	98,253	–	–
Sale of goods	–	81	–	–
Management fee	144	352	–	–
Rental income	3,347	3,347	–	–
Interest income	–	–	1,301	2,421
	149,186	145,200	1,301	2,421

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

	2021			
Segments	Commercial	Defence and Security	Others	Total
Types of goods or service	RM'000	RM'000	RM'000	RM'000
Repair and maintenance	114	62,381	–	62,495
Rendering of services	–	83,200	–	83,200
Management fees	–	–	144	144
Rental income	–	3,347	–	3,347
<b>Total revenue from contract with customers</b>	<b>114</b>	<b>148,928</b>	<b>144</b>	<b>149,186</b>
<b>Timing of revenue recognition</b>				
Goods/services transferred				
– at a point in time	–	1,259	144	1,403
– over time	114	147,669	–	147,783
<b>Total revenue from contract with customers</b>	<b>114</b>	<b>148,928</b>	<b>144</b>	<b>149,186</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 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	2020			
	Commercial RM'000	Defence and Security RM'000	Others RM'000	Total RM'000
Repair and maintenance	452	42,715	—	43,167
Rendering of services	—	98,253	—	98,253
Sale of goods	81	—	—	81
Management fee	—	—	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/services transferred				
– at a point in time	81	60	352	493
– over time	452	144,255	—	144,707
<b>Total revenue from contract with customers</b>	<b>533</b>	<b>144,315</b>	<b>352</b>	<b>145,200</b>

### 5. OPERATING COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Raw materials and consumables	<b>4,681</b>	4,063	—	—
Cost in relation to rendering of services, repair and maintenance	<b>37,972</b>	56,896	—	—
Employee benefits expense (Note 8)	<b>51,352</b>	73,072	<b>1,581</b>	754
Non-executive directors' remuneration (Note 9)	<b>1,809</b>	1,935	<b>1,558</b>	1,635
Depreciation of property, plant and equipment (Note 13)	<b>1,371</b>	3,944	<b>33</b>	36
Depreciation of investment property (Note 14)	<b>675</b>	852	—	—
Depreciation of right-of-use assets (Note 29)	<b>1,463</b>	1,314	<b>78</b>	78
Property, plant and equipment written off	—	20	—	—
(Gain)/loss on disposal of property, plant and equipment	<b>(52)</b>	2	—	—
Assets held for sale written down (Note 19)	—	2,131	—	—
Other operating costs	<b>4,278</b>	9,088	<b>1,684</b>	2,030
	<b>103,459</b>	153,317	<b>4,934</b>	4,533

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 5. OPERATING COSTS (CONT'D.)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Other operating costs include:				
Auditors' remuneration:				
– Statutory audit				
– Current year audit fee	407	412	157	157
– Under provision of prior year audit fee	–	–	–	10
– Others	18	43	18	43
Net loss/(gain) on foreign exchange:				
– realised	1	(31)	–	–
– unrealised	(1,110)	(432)	–	–
Rental for office building on short term lease	1,368	1,713	–	–
Rental for low value plant and equipment	131	146	–	–

## 6. IMPAIRMENT

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Impairment loss on investment in subsidiaries (Note 16)	–	–	–	12,500

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Allowance for expected credit losses of:				
– trade receivables (Note 21(b))	11,179	18,500	–	–
– other receivables (Note 21(e))	190	2,382	–	11,183
Reversal of expected credit losses of:				
– trade receivables (Note 21(b))	–	(15,149)	–	–
– other receivables (Note 21(e))	(1,772)	–	(5,424)	–
– contract assets (Note 22)	–	(11,086)	–	–
	9,597	(5,353)	(5,424)	11,183

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	47,781	61,954	1,324	600
Social security contribution	696	837	2	1
Defined contribution plan	6,333	8,183	176	77
Termination benefit	–	5,210	–	–
Others	5,679	7,317	79	76
	60,489	83,501	1,581	754
Less: Employee benefit expense capitalised in long term and construction contract costs	(9,137)	(10,429)	–	–
	51,352	73,072	1,581	754

### 9. DIRECTORS' REMUNERATION

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-executive directors' remuneration:				
Fees	1,504	1,487	1,274	1,220
Allowances	305	448	284	415
<b>Total non-executive directors' remuneration (Note 5)</b>	<b>1,809</b>	<b>1,935</b>	<b>1,558</b>	<b>1,635</b>
<b>Total directors' remuneration</b>	<b>1,809</b>	<b>1,935</b>	<b>1,558</b>	<b>1,635</b>

### 10. FINANCE COSTS

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Term loans	4,825	5,192	4,668	4,994
Revolving credits	10,013	10,906	6,423	7,437
Lease liability	464	471	–	–
Others	21	6	172	188
Finance cost recognised in profit or loss	15,323	16,575	11,263	12,619



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Statement of comprehensive income:</b>				
Malaysian income tax:				
Current income tax	7,974	2,505	—	—
(Over)/under provision in prior years	(482)	52	—	—
Total income tax	7,492	2,557	—	—
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	(4,409)	(107)	—	—
Relating to derecognition of previously recognised deferred tax assets	—	15,388	—	—
Over provision in prior years	—	(32)	—	—
Total deferred tax	(4,409)	15,249	—	—
Income tax recognised in profit or loss	3,083	17,806	—	—

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 2021 and 2020 are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(loss) before taxation	18,275	(32,773)	(9,472)	(38,414)
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	4,386	(7,866)	(2,273)	(9,219)
Expenses not deductible for tax purposes	4,794	4,489	2,273	9,219
Income not subject to tax	(22)	(6)	—	—
Utilisation of previously unrecognised tax losses and capital allowances	(4,482)	(3,187)	—	—
Share of results of joint ventures	607	3,302	—	—
Derecognition of previously recognised deferred tax assets	—	15,388	—	—
Deferred tax assets recognised on unutilised businesses losses	(1,718)	—	—	—
Deferred tax assets not recognised in respect of tax losses, unabsorbed capital allowances and others	—	5,666	—	—
(Over)/under provision of income tax expense in prior years	(482)	52	—	—
Over provision of deferred tax expense in prior years	—	(32)	—	—
Income tax expense recognised in profit or loss	3,083	17,806	—	—

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 12. PROFIT/(LOSS) PER SHARE

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

	Group	
	2021 RM'000	2020 RM'000
Profit/(loss) for the year attributable to shareholders of the Company	15,192	(50,579)
	'000	'000
Weighted average number of ordinary shares in issue	248,458	248,458
	sen	sen
Basic and diluted profit/(loss) per share for:		
Profit/(loss) for the year attributable to shareholders of the Company	6.11	(20.36)

### 13. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others RM'000	Total RM'000
<b>Cost</b>				
<b>At 1 January 2020</b>	58,789	19,202	33,099	111,090
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/ 1 January 2021</b>	38,758	2,554	14,233	55,545
Additions	—	34	199	233
Disposals	—	—	(283)	(283)
<b>At 31 December 2021</b>	38,758	2,588	14,149	55,495

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

Group (cont'd.)	Buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, motor vehicles and others RM'000	Total RM'000
<b>Accumulated depreciation and impairment</b>				
<b>At 1 January 2020</b>	49,080	15,154	30,610	94,844
Depreciation charge for the year (Note 5)	1,716	966	1,262	3,944
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/ 1 January 2021</b>	32,849	2,407	13,018	48,274
Depreciation charge for the year (Note 5)	724	75	572	1,371
Disposals	—	—	(206)	(206)
<b>At 31 December 2021</b>	33,573	2,482	13,384	49,439
<b>Representing:</b>				
Accumulated depreciation	26,623	2,482	13,384	42,489
Accumulated impairment	6,950	—	—	6,950
At 31 December 2021	33,573	2,482	13,384	49,439
<b>Net carrying amount</b>				
At 31 December 2021	5,185	106	765	6,056
At 31 December 2020	5,909	147	1,215	7,271

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

\* 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 2020</b>	22,955	35,834	58,789
Transfer to asset held for sale	—	(20,031)	(20,031)
<b>At 31 December 2020/1 January 2021/31 December 2021</b>	22,955	15,803	38,758
<b>Accumulated depreciation and impairment</b>			
<b>At 1 January 2020</b>	16,547	32,533	49,080
Depreciation charge for the year	634	1,082	1,716
Transfer to asset held for sale	—	(17,947)	(17,947)
<b>At 31 December 2020/1 January 2021/31 December 2021</b>	17,181	15,668	32,849
Depreciation charge for the year	634	90	724
<b>At 31 December 2021</b>	17,815	15,758	33,573
<b>Representing:</b>			
Accumulated depreciation	10,865	15,758	26,623
Accumulated impairment	6,950	—	6,950
<b>At 31 December 2021</b>	17,815	15,758	33,573
<b>Net carrying amount</b>			
<b>At 31 December 2021</b>	5,140	45	5,185
<b>At 31 December 2020</b>	5,774	135	5,909

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

Company	Equipment RM'000
<b>Cost</b>	
At 1 January 2020	2,267
Additions	14
<b>At 31 December 2020/1 January 2021/31 December 2021</b>	<b>2,281</b>
<b>Accumulated depreciation</b>	
At 1 January 2020	1,974
Depreciation charge for the year (Note 5)	36
<b>At 31 December 2020/1 January 2021</b>	<b>2,010</b>
Depreciation charge for the year (Note 5)	33
<b>At 31 December 2021</b>	<b>2,043</b>
<b>Net carrying amount</b>	
At 31 December 2021	238
At 31 December 2020	271

## 14. INVESTMENT PROPERTY

Group	Hangar RM'000
<b>Cost</b>	
At 1 January 2020/31 December 2020/1 January 2021/31 December 2021	14,898
<b>Accumulated depreciation</b>	
At 1 January 2020	2,543
Depreciation charge for the year (Note 5)	852
<b>At 31 December 2020/1 January 2021</b>	<b>3,395</b>
Depreciation charge for the year (Note 5)	675
<b>At 31 December 2021</b>	<b>4,070</b>
<b>Net carrying amount</b>	
At 31 December 2021	10,828
At 31 December 2020	11,503

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

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

	<b>Date of valuation</b>	<b>Fair value measurement using significant unobservable inputs (Level 3) RM'000</b>
<b>As at 31 December 2021</b>		
Hangar	31 December 2021	<b>14,500</b>
<b>As at 31 December 2020</b>		
Hangar	31 December 2020	14,500

The fair value of the investment property was based on independent valuation using the depreciated cost method. 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 the current gross replacement or reproduction costs of improvements, with appropriate adjustments made for the factors of obsolescence, optimisation and existing physical condition of the building. The significant unobservable input is the construction cost per square metre.

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

### 15. INTANGIBLE ASSET

	<b>Group RM'000</b>
<b>Ship design right, at cost</b>	
At 1 January 2020, 31 December 2020/1 January 2021 and 31 December 2021	2,631
<b>Accumulated impairment</b>	
At 1 January 2020, 31 December 2020/1 January 2021 and 31 December 2021	(2,631)
<b>Net carrying amount</b>	
At 31 December 2020 and 31 December 2021	—

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

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



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021	2020
	RM'000	RM'000
<b>Unquoted shares, at cost</b>	<b>701,801</b>	701,801
<b>Accumulated impairment losses</b>		
At 1 January	<b>(434,301)</b>	(421,801)
Impairment losses (Note 6)	–	(12,500)
At 31 December	<b>(434,301)</b>	(434,301)
<b>Total carrying amount</b>	<b>267,500</b>	267,500

The shares in a subsidiary with a carrying value of RM2,636,000 (2020: 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	
			2021 %	2020 %
BHIC Asset Holdings Sdn. Bhd. ("BHIC Asset")	Dormant	RM10,000,000	<b>100</b>	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	<b>100</b>	100
BHIC Development Sdn. Bhd.	Dormant	RM2	<b>100</b>	100
BHIC Trading Sdn. Bhd.	Property investment	RM8,000,002	<b>100</b>	100
BHIC Marine Carriers Sdn. Bhd.	Provision of engineering services for oil and gas industry and chartering ships and vessels	RM3,000,000	<b>100</b>	100
BHIC AeroTech Sdn. Bhd.	Provision of maintenance repair and overhaul of aircraft wheels and brakes	RM500,000	<b>100</b>	100
<b>Held by BP Shipyard:</b>			<b>100</b>	100
Dominion Defence & Industries Sdn. Bhd. ("Dominion Defence")	Supply and services of marine and naval defence related products	RM1,000,000	<b>100</b>	100
Perstim Industries Sdn. Bhd.	Investment holding	RM51,155,724	<b>100</b>	100
BHIC Defence Technologies Sdn. Bhd. ("BHIC Defence")	Investment holding	RM36,579,282	<b>100</b>	100

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

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

			Percentage of ownership interest held by the group	
Name of subsidiaries	Principal activities	Paid up capital	2021 %	2020 %
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 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
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.*	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 on 26 January 2022

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 17. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares, at cost	54,840	54,840	1,250	1,250
Cumulative share of post acquisition (losses)/profits	(22,012)	(22,012)	–	–
	(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:

			Percentage of ownership interest held by the group	
Name of associates	Principal activities	Paid up capital	2021 %	2020 %
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
Held by BN Shipyard:				
Boustead Langkawi Shipyard Sdn. Bhd.	Construction, repair and maintenance of boats and yachts	RM100,000,000	20.77	20.77
BN Shiprepair Sdn. Bhd.	Ceased operations	RM1,000,000	20.77	20.77
Boustead Yachts Sdn. Bhd.	Ceased operations	RM1,000,000	20.77	20.77

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

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

	2021 RM'000	2020 RM'000
<b>Assets and liabilities</b>		
Current assets	1,215,639	1,182,340
Non-current assets	302,734	329,500
Total assets	1,518,373	1,511,840
Current liabilities	2,045,159	1,877,686
Non-current liabilities	167,309	279,777
Total liabilities	2,212,468	2,157,463
<b>Net liabilities</b>	<b>(694,095)</b>	<b>(645,623)</b>
<b>Results</b>		
Revenue	302,147	515,142
Loss for the year	(48,472)	(20,219)

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

	Note	2021 RM'000	2020 RM'000
Net liabilities at 1 January		(645,623)	(625,404)
Loss for the year		(48,472)	(20,219)
Net liabilities at 31 December		(694,095)	(645,623)
Interest in associate		20.77%	20.77%
Group's share of net liabilities	(i)	(144,164)	(134,096)
Goodwill		162,724	162,724
Impairment	(iii)	(32,828)	(32,828)
Cumulative share of unrecognised losses	(ii)	14,268	4,200
Carrying value of Group's investment in associates	(i)	—	—

(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) Uncognised shares of losses in BNS

	2021 RM'000	2020 RM'000
Uncognised shares of loss for the year	10,068	4,200
Cumulative share of loss	14,268	4,200

(ii) Impairment loss recognised in profit and loss in prior 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 is derived 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 prior year.

## NOTES TO THE FINANCIAL STATEMENTS

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## 18. INVESTMENTS IN JOINT VENTURES

	Group	
	2021 RM'000	2020 RM'000
Unquoted shares, at cost	45,591	45,591
Cumulative share of post acquisition profits	36,905	54,340
Share of current year's post acquisition losses	(2,528)	(13,758)
Less: Dividend paid (Note 36 (a))	(510)	(3,677)
	33,867	36,905
	79,458	82,496

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	
			2021 %	2020 %
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.)

			Percentage of ownership interest held by the group	
Name of joint ventures	Principal activities	Paid up capital	2021 %	2020 %
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 training	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.

\* Joint ventures not audited by Ernst & Young PLT.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 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	<----- 2021 ----->		<----- 2020 ----->	
	CAD RM'000	BHICAS RM'000	CAD RM'000	BHICAS RM'000
<b>Non-current assets</b>	<b>411,966</b>	<b>18,473</b>	441,604	22,120
Cash and cash equivalent	<b>73,496</b>	<b>17,124</b>	92,070	8,671
Other current assets	<b>62,455</b>	<b>19,614</b>	57,606	26,854
<b>Total current assets</b>	<b>135,950</b>	<b>36,738</b>	149,676	35,525
<b>Total assets</b>	<b>547,916</b>	<b>55,211</b>	591,280	57,645
Trade and other payables and provisions	<b>292,407</b>	<b>74,901</b>	313,263	41,881
<b>Total current liabilities</b>	<b>292,407</b>	<b>74,901</b>	313,263	41,881
<b>Non-current liabilities</b>	<b>147,533</b>	<b>6,154</b>	168,702	9,303
<b>Total liabilities</b>	<b>439,940</b>	<b>81,055</b>	481,965	51,184
<b>Net assets/(liabilities)</b>	<b>107,976</b>	<b>(25,844)</b>	109,315	6,461

## (ii) Summarised statements of comprehensive income

Group	<----- 2021 ----->		<----- 2020 ----->	
	CAD RM'000	BHICAS RM'000	CAD RM'000	BHICAS RM'000
Revenue	<b>74,529</b>	<b>70,918</b>	104,405	56,822
Depreciation	<b>(11,834)</b>	<b>(3,683)</b>	(48,395)	(3,761)
Interest income	<b>1,357</b>	<b>88</b>	2,304	29
Finance costs	<b>(64)</b>	<b>(975)</b>	(333)	(888)
Loss before tax from continuing operations	<b>(1,327)</b>	<b>(32,186)</b>	(13,388)	(22,635)
Income tax (expense)/benefit	<b>(12)</b>	<b>(119)</b>	1,105	5,535
Loss for the year, representing total comprehensive loss for the year, net of tax	<b>(1,339)</b>	<b>(32,305)</b>	(12,283)	(17,100)
Dividend received from joint ventures during the year	—	—	—	3,371

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 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	Notes	<----- 2021 ----->		<----- 2020 ----->	
		CAD RM'000	BHICAS RM'000	CAD RM'000	BHICAS RM'000
Net assets at 1 January		<b>109,315</b>	<b>6,461</b>	121,598	30,171
Loss for the year		<b>(1,339)</b>	<b>(32,305)</b>	(12,283)	(17,100)
Dividend		—	—	—	(6,610)
Net assets at 31 December		<b>107,976</b>	<b>(25,844)</b>	109,315	6,461
Interest in joint ventures (%)		<b>51</b>	<b>51</b>	51	51
Goodwill		<b>3,849</b>	—	3,849	—
Carrying value of Group's interest in joint ventures	(i)	<b>58,917</b>	—	59,600	3,295

(i) The Group has recognised its shares of losses of interest in BHICAS 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	
	2021 RM'000	2020 RM'000
The Group's share of profit before tax	<b>1,951</b>	1,659
The Group's share of profit after tax, representing total comprehensive income	<b>1,450</b>	1,267
Carrying value of Group's interest in joint ventures	<b>20,541</b>	19,601

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

On 22 December 2020, the Group's wholly owned subsidiary, Boustead Penang Shipyard Sdn Bhd entered into agreements with purchasers to dispose plant and equipments amounting to RM3,448,000.

In the previous financial year, the directors had assessed that the criteria were met in accordance with MFRS 5: Non-current Assets Held for Sale and Discontinued Operation ("MFRS 5") prior to classifying the assets as held for sale.

Due to extreme weather conditions and restrictions brought upon by the Covid-19 pandemic, there was a delay in disposal of the non-current assets. The Group had received a deposit of RM2,240,000 and the proposed disposal is expected to be completed within the next 12 months.

Statement of financial position disclosure

The non-current assets classified as held for sale as at 31 December 2021 are as follows:-

	Group RM'000
<b>At 1 January 2020</b>	—
Transfer from Property, Plant and Equipment ("PPE"):	
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 2020/1 January 2021/31 December 2021</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

	2021 RM'000	Group 2020 RM'000
<b>Consumables</b>		
At cost	2,912	3,160

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<b>Non-current</b>				
<b>Trade receivables</b>				
Due from associate	241,671	—	—	—
Less: Allowance for expected credit losses	(40,341)	—	—	—
Trade receivables, net	201,330	—	—	—
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	3,861	22,028	—	—
Due from related parties:				
Associate	89,002	264,694	—	—
Joint ventures	8,806	7,979	—	—
	101,669	294,701	—	—
Unbilled receivables due from:				
— Third parties	105	190	—	—
— Associate	893	5,730	—	—
Less: Allowance for expected credit losses:				
— Third parties	(3,294)	(3,288)	—	—
— Associate	(548)	(29,850)	—	—
— Joint ventures	(5,307)	(5,173)	—	—
Trade receivables, net	93,518	262,310	—	—
<b>Other receivables</b>				
Due from related parties:				
— Subsidiaries	—	—	21,660	31,016
— Joint ventures	29,733	29,390	260	—
— Associates	2,022	2,251	453	256
— Related companies	89	47	6	—
Dividend receivable	—	—	45,500	45,500
	31,844	31,688	67,879	76,772
Deposits	981	864	—	—
Prepayments	213	379	—	—
Sundry receivables	2,971	3,734	4	26
Advances to suppliers	1,676	1,364	—	—
	37,685	38,029	67,883	76,798

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Less: Allowance for expected credit losses:				
– Subsidiaries	–	–	(5,993)	(11,417)
– Joint ventures	(27,793)	(27,606)	–	–
– Associate	(28)	(28)	–	–
– Sundry receivables	(418)	(2,187)	–	–
– Advance to suppliers	(1,068)	(1,068)	–	–
	(29,307)	(30,889)	(5,993)	(11,417)
Other receivables, net	8,378	7,140	61,890	65,381
<b>Total trade and other receivables (current)</b>	<b>101,896</b>	<b>269,450</b>	<b>61,890</b>	<b>65,381</b>
<b>Total trade and other receivables</b>	<b>303,226</b>	<b>269,450</b>	<b>61,890</b>	<b>65,381</b>
Add: Cash and bank balances (Note 23)	4,151	3,498	61	143
Less: Prepayments	(213)	(379)	–	–
Less: Advances to suppliers	(608)	(296)	–	–
Less: GST recoverable	(1)	(1)	–	–
Total debt instruments at amortised cost	306,555	272,272	61,951	65,524

## (a) Amount due from an associate

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 the amount is not expected to be realised in full within the twelve months after the reporting period, RM201,330,000 of amount due from associate has been classified as non-current receivables as at 31 December 2021.

## (b) 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:

	2021 RM'000	2020 RM'000
Trade receivables-nominal value	340,168	278,885
Less: Allowance for expected credit losses	(49,490)	(38,311)
	290,678	240,574

Movement in allowance account:

	2021 RM'000	2020 RM'000
At 1 January	38,311	34,960
Charge for the year (Note 7)	11,179	18,500
Reversal of expected credit losses (Note 7)	–	(15,149)
At 31 December	49,490	38,311

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### (c) 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 (2020: 30 days), extending up to 90 days (2020: 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.

### (d) Amounts due from related parties

All receivables from related parties are unsecured, repayable upon demand, settled in cash and non-interest bearing except for an amount due from a related party which bear weighted average effective interest at rate of 5.19% (2020: 5.82%) per annum.

### (e) Other receivables

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other receivables – nominal value	<b>29,307</b>	30,889	<b>45,744</b>	75,262
Less: Allowance for expected credit losses	<b>(29,307)</b>	(30,889)	<b>(5,993)</b>	(11,417)
	<b>–</b>	<b>–</b>	<b>39,751</b>	63,845

Movement in allowance account:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	<b>30,889</b>	28,507	<b>11,417</b>	234
Charge for the year (Note 7)	<b>190</b>	2,382	<b>–</b>	11,183
Reversal of expected credit losses (Note 7)	<b>(1,772)</b>	–	<b>(5,424)</b>	–
At 31 December	<b>29,307</b>	30,889	<b>5,993</b>	11,417

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	
	2021 RM'000	2020 RM'000
<b>Current assets</b>		
Contract assets	6,516	3,630
<b>Current liabilities</b>		
Contract liabilities	–	(18)

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	
	2021 RM'000	2020 RM'000
Amounts included in contract liabilities at the beginning of the year	18	1,495
Performance obligations satisfied in previous years	–	11,086
	18	12,581

As at 31 December 2021, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of RM47,574,000 (2020: RM9,748,000) 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	
	2021 RM'000	2020 RM'000
At 1 January	–	11,086
Reversal of expected credit losses (Note 7)	–	(11,086)
At 31 December	–	–

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 23. CASH AND BANK BALANCES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	–	1,200	–	100
Cash on hand and at banks	4,151	2,298	61	43
	4,151	3,498	61	143

The maturity periods of the Group's and the Company's deposits with licensed banks in the prior reporting date ranged between 1 day to 45 days.

The amount of deposit placed with the financial institutions which are Government-related entities amount to RM4,145,000 (2020: RM3,484,000).

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

### 24. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<b>Issued and fully paid ordinary shares:</b>				
As at 1 January/31 December	248,458	248,458	248,458	248,458

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. The ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 25. PROVISIONS

Group	Directors' fee RM'000 (Note a)	Provision for onerous contract RM'000 (Note b)	Others RM'000	Total RM'000
<b>At 1 January 2020</b>	843	—	—	843
Arising during the year	—	12,654	—	12,654
Utilised during the year	(843)	—	—	(843)
<b>At 31 December 2020/1 January 2021</b>	—	12,654	—	12,654
Arising during the year	—	1,722	491	2,213
<b>At 31 December 2021</b>	—	14,376	491	14,867

Company	Directors' fee RM'000	Others RM'000	Total RM'000
<b>At 1 January 2020</b>	660	—	660
Utilised during the year	(660)	—	(660)
<b>At 31 December 2020/1 January 2021</b>	—	—	—
Arising during the year	—	13	13
<b>At 31 December 2021</b>	—	13	13

**(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

31 December 2021

## 26. LOANS AND BORROWINGS

	Group		Company	
	2021	2020	2021	2020
	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	2,314	32,627	2,314	32,627
Revolving credits	200,500	202,500	152,000	152,000
	<b>203,934</b>	236,247	<b>154,314</b>	184,627
<b>Long term borrowings</b>				
<b>Secured:</b>				
Term loans	1,326	2,446	—	—
<b>Unsecured:</b>				
Term loans	82,186	52,373	82,186	52,373
	<b>83,512</b>	54,819	<b>82,186</b>	52,373
<b>Total borrowings:</b>				
Term loans	86,946	88,566	84,500	85,000
Revolving credits	200,500	202,500	152,000	152,000
	<b>287,446</b>	291,066	<b>236,500</b>	237,000

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 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 2020</b>	89,686	211,500	8,592	309,778
Repayment	(1,120)	(9,000)	(783)	(10,903)
<b>At 31 December 2020/1 January 2021</b>	<b>88,566</b>	<b>202,500</b>	<b>7,809</b>	<b>298,875</b>
Addition	—	—	824	824
Repayment	(1,620)	(2,000)	(686)	(4,306)
<b>At 31 December 2021</b>	<b>86,946</b>	<b>200,500</b>	<b>7,947</b>	<b>295,393</b>

Company	Term loan RM'000	Revolving credits RM'000	Total RM'000
<b>At 1 January 2020</b>	85,000	160,000	245,000
Repayment	—	(8,000)	(8,000)
<b>At 31 December 2020/1 January 2021</b>	<b>85,000</b>	<b>152,000</b>	<b>237,000</b>
Repayment	(500)	—	(500)
<b>At 31 December 2021</b>	<b>84,500</b>	<b>152,000</b>	<b>236,500</b>

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 RM243,946,000 (2020: RM247,566,000).

## 27. DEFERRED TAXATION

	Group	
	2021 RM'000	2020 RM'000
At 1 January	1	(15,248)
Recognised in profit or loss (Note 11)	(4,409)	15,249
At 31 December	(4,408)	1
Presented after appropriate offsetting as follows:		
Deferred tax assets	(4,408)	—
Deferred tax liabilities	—	1
	(4,408)	1

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

The components and movements of deferred tax (assets)/liabilities of the Group during the financial year are as follows:

	Unused tax losses and unabsorbed capital allowances RM'000	Lease liabilities RM'000	Others RM'000	Total RM'000
<b>Deferred tax assets</b>				
At 1 January 2020	(14,986)	(1,839)	(2,853)	(19,678)
Recognised in profit or loss	10,620	70	2,790	13,480
<b>At 31 December 2020/1 January 2021</b>	<b>(4,366)</b>	<b>(1,769)</b>	<b>(63)</b>	<b>(6,198)</b>
Recognised in profit or loss	(2,983)	(132)	–	(3,115)
<b>At 31 December 2021</b>	<b>(7,349)</b>	<b>(1,901)</b>	<b>(63)</b>	<b>(9,313)</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 2020	1,626	14	2,790	4,430
Recognised in profit or loss	(91)	1,860	–	1,769
<b>At 31 December 2020/1 January 2021</b>	<b>1,535</b>	<b>1,874</b>	<b>2,790</b>	<b>6,199</b>
Recognised in profit or loss	132	(1,439)	13	(1,294)
<b>At 31 December 2021</b>	<b>1,667</b>	<b>435</b>	<b>2,803</b>	<b>4,905</b>

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Temporary differences arising from:				
– unused tax losses	(126,476)	(159,730)	(47)	(47)
– unabsorbed capital allowances	(44,007)	(46,004)	–	–
– others	(66,869)	(57,450)	(489)	(489)
	<b>(237,352)</b>	<b>(263,184)</b>	<b>(536)</b>	<b>(536)</b>

Tax losses for which the tax effects have not been recognised in the financial statements:

– Expiring within 10 years	(126,476)	(159,730)	(47)	(47)
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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.

## NOTES TO THE FINANCIAL STATEMENTS

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

The Malaysia Finance Act gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of the unutilised tax losses for Malaysian entities. Based on the latest Malaysian Finance Act gazetted on 31 December 2021, the time limit for the carry forward of the unutilised tax losses has been extended from 7 years to 10 years.

As a result of this change, the unutilised tax losses accumulated up to the year of assessment 2018 are allowed to be carried forward for 10 consecutive years of assessment (i.e. from years of assessment 2019 to 2028) and any balance of the unutilised losses thereafter shall be disregarded.

However, any unutilised tax losses that originated from the year of assessment 2019 onwards are allowed to be carried forward for a maximum period of 10 consecutive years of assessment immediately following that originating year of assessment and any balance of the unutilised tax losses thereafter shall be disregarded.

## 28. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Trade payables</b>				
Third parties	27,979	24,100	–	–
Due to related parties:				
– Associates	5	139	–	–
– Joint ventures	2,313	2,312	–	–
	30,297	26,551	–	–
<b>Other payables</b>				
Due to related parties:				
– Subsidiaries	–	–	8,294	6,600
– Holding company	4,344	1,317	4,033	1,118
– Joint ventures	3,299	2,501	823	54
– Associates	1,106	3,942	2	154
– Related companies	795	1,462	10	86
	9,544	9,222	13,162	8,012
Accruals	4,965	3,369	1,822	1,841
Sundry payables	13,068	5,182	1,713	569
	27,577	17,773	16,697	10,422
<b>Total trade and other payables</b>	<b>57,874</b>	<b>44,324</b>	<b>16,697</b>	<b>10,422</b>
<b>Total trade and other payables</b>	<b>57,874</b>	<b>44,324</b>	<b>16,697</b>	<b>10,422</b>
Add: Loans and borrowings (Note 26)	287,446	291,066	236,500	237,000
Add: Lease liabilities (Note 29)	7,947	7,809	–	–
<b>Total financial liabilities carried at amortised costs</b>	<b>353,267</b>	<b>343,199</b>	<b>253,197</b>	<b>247,422</b>



## NOTES TO THE FINANCIAL STATEMENTS

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

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2020: 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

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>				
At 1 January 2020	35,077	868	262	36,207
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 2020/1 January 2021</b>	<b>33,923</b>	<b>—</b>	<b>152</b>	<b>34,075</b>
Additions	824	—	—	824
Depreciation expense for the financial year (Note 5)	(1,381)	—	(82)	(1,463)
<b>At 31 December 2021</b>	<b>33,366</b>	<b>—</b>	<b>70</b>	<b>33,436</b>

##### Company as a lessee

	Land and buildings RM'000
<b>Carrying amount</b>	
At 1 January 2020	7,315
Depreciation expense for the financial year (Note 5)	(78)
<b>At 31 December 2020/1 January 2021</b>	<b>7,237</b>
Depreciation expense for the financial year (Note 5)	(78)
<b>At 31 December 2021</b>	<b>7,159</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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 29. LEASES (CONT'D.)

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

Included in land are two pieces of land in Kota Kinabalu, Sabah and in Bentong, Pahang with carrying amounts of RM10.8 million and RM7.2 million (2020: RM10.9 million and RM7.2 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	2021 RM'000	2020 RM'000
At 1 January		7,809	8,592
Additions		824	—
Accretion of interest	10	464	471
Payments		(1,150)	(1,254)
At 31 December		7,947	7,809
<b>Analysed as:</b>			
Current		658	600
Non-current		7,289	7,209
		7,947	7,809

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

The following are the amounts recognised in profit or loss:

	2021 RM'000	2020 RM'000
Depreciation expenses of right-of-use assets	1,463	1,314
Interest expense on lease liabilities	464	471
Expenses relating to short-term leases	1,368	1,713
Expenses relating to leases of low-value assets	131	146
<b>Total amount recognised in profit or loss</b>	<b>3,426</b>	<b>3,644</b>

The Group has total cash outflow for leases amounting to RM1,150,000 (2020: RM1,254,000). Further details are disclosed in Note 26.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 29. LEASES (CONT'D.)

### (c) Group as a lessor

The Group has entered into a commercial property lease for its investment property, with a non-cancellable 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 2021 are as follows:

	2021 RM'000	2020 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	4,556	7,223
	<b>7,223</b>	9,890

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

## (a) Interest rate risk (cont'd.)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") and the remaining maturities of the Group's and the Company's financial asset/(liabilities) as at reporting date:

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 2021</b>							
<b>Floating rate</b>							
Term loans	26	5.50%	(3,434)	(20,455)	(63,057)	–	(86,946)
Revolving credits	26	4.98%	(200,500)	–	–	–	(200,500)
Lease liabilities	29	5.75%	(658)	(709)	(1,455)	(5,125)	(7,947)

**At 31 December 2020****Fixed rate**

Deposits with licensed banks	23	1.65%	1,200	–	–	–	1,200
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**Floating rate**

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)

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 2021</b>						
<b>Floating rate</b>						
Term loans	26	5.53%	(2,314)	(19,335)	(62,851)	(84,500)
Revolving credits	26	4.21%	(152,000)	–	–	(152,000)

**At 31 December 2020****Fixed rate**

Deposits with licensed banks	23	1.65%	100	–	–	100
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**Floating rate**

Term loans	26	6.19%	(32,627)	(34,454)	(17,919)	(85,000)
Revolving credits	26	4.32%	(152,000)	–	–	(152,000)

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 RM1,122,000 (2020: RM1,136,000) and RM899,000 (2020: RM901,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### (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.

#### 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 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>At 31 December 2021</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables (Note 28)	57,874	—	—	57,874
Loans and borrowings	209,774	96,428	—	306,202
Lease liabilities	1,079	3,548	6,124	10,751
Total undiscounted financial liabilities	268,727	99,976	6,124	374,827
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables (Note 28)	16,697	—	—	16,697
Loans and borrowings	159,790	95,027	—	254,817
Total undiscounted financial liabilities	176,487	95,027	—	271,514
<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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 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 reappraisal. 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

31 December 2021

### 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 trade receivables at the reporting date are as follows:

	Group			
	2021		2020	
	RM'000	% of total	RM'000	% of total
<b>By country:</b>				
Malaysia	294,848	100.0%	244,810	93.3%
Others	–	0.0%	17,500	6.7%
	<b>294,848</b>	<b>100.0%</b>	<b>262,310</b>	<b>100.0%</b>
<b>By industry sector:</b>				
Defence and security	294,838	99.9%	262,291	99.9%
Commercial	10	0.1%	19	0.1%
	<b>294,848</b>	<b>100.0%</b>	<b>262,310</b>	<b>100.0%</b>

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

The Group 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 Group 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 Group's historical experience.

At each reporting date, the Group 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 2021

## 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 Group 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 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets:

## 31 December 2021

	Trade receivables						
	Days past due						
	Contract asset RM'000	Current RM'000	<30 days RM'000	31-60 days RM'000	61-90 days RM'000	>91 days RM'000	Total RM'000
Estimated total gross receivables	6,515	35,736	12,814	286	157	295,345	344,338
Expected credit losses (Note 21)	–	–	–	–	–	(49,490)	(49,490)
Net receivables	6,515	35,736	12,814	286	157	245,855	294,848

## 31 December 2020

	Trade receivables						
	Days past due						
	Contract asset RM'000	Current RM'000	<30 days RM'000	31-60 days RM'000	61-90 days RM'000	>91 days RM'000	Total RM'000
Estimated total gross receivables	3,630	39,377	32	28,349	14,787	218,076	300,621
Expected credit losses (Note 21)	–	–	–	–	–	(38,311)	(38,311)
Net receivables	3,630	39,377	32	28,349	14,787	179,765	262,310

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### (d) Fair value of financial instruments

#### Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	<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.

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currency are as follows:

	<b>Deposits, cash and bank balances RM'000</b>	<b>Receivables RM'000</b>	<b>Payables RM'000</b>	<b>Total RM'000</b>
<b>At 31 December 2021</b>				
USD	–	–	(44)	(44)
EUR	22	1,330	(5,937)	(4,585)
SGD	–	–	(22)	(22)
	<b>22</b>	<b>1,330</b>	<b>(6,003)</b>	<b>(4,651)</b>
<b>At 31 December 2020</b>				
USD	20	–	(44)	(24)
EUR	25	312	(18,762)	(18,425)
SGD	–	–	(47)	(47)
	<b>45</b>	<b>312</b>	<b>(18,853)</b>	<b>(18,496)</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

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

#### Sensitivity analysis for foreign exchange risk

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in USD, EUR and SGD exchange rates against the functional currency of the Group, with all other variables held constant.

		Group	
		Profit/(loss) net of tax	
		2021	2020
		RM'000	RM'000
USD/RM	– strengthened 5%	(2)	(1)
	– weakened 5%	2	1
EUR/RM	– strengthened 5%	(174)	(700)
	– weakened 5%	174	700
SGD/RM	– strengthened 5%	(1)	(2)
	– weakened 5%	1	2

## 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 2021 and 31 December 2020.

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 3.57 times (2020: 4.45 times).

## NOTES TO THE FINANCIAL STATEMENTS

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### 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.

**Others** – The business units under this segment is principally engaged in interest income charged to the subsidiaries on the advances provided and the management fee charged to subsidiaries and joint ventures.

Included in the Defence and Security segment, the revenue of approximately RM148,928,000 (2020: RM144,315,000) is 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 2021

## 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 RM'000	Energy RM'000	Commercial RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>As at 31 December 2021</b>						
Group total sales	148,993	–	114	2,294	(2,215)	149,186
Inter-segment sales	(65)	–	–	(2,150)	2,215	–
External Revenue	148,928	–	114	144	–	149,186
Operating costs	(90,879)	–	(1,522)	(4,558)	(6,590)	(103,549)
(Allowance for)/reversal of expected credit loss	(11,532)	–	(2)	1,772	165	(9,597)
<b>Results from operations</b>	<b>46,517</b>	<b>–</b>	<b>(1,410)</b>	<b>(2,642)</b>	<b>(6,425)</b>	<b>36,040</b>
Interest income	1,015	–	–	2,156	(3,085)	86
Finance costs	(947)	–	(1,658)	(17,102)	4,384	(15,323)
Share of result in joint ventures	(2,528)	–	–	–	–	(2,528)
<b>Profit before tax</b>	<b>44,057</b>	<b>–</b>	<b>(3,068)</b>	<b>(17,588)</b>	<b>(5,126)</b>	<b>18,275</b>
Income tax expense						(3,083)
<b>Profit net of tax</b>						<b>15,192</b>
<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	–	145,200
Operating costs	(108,380)	(2,154)	(12,331)	(26,965)	(3,487)	(153,317)
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)
Share of result in associates	–	–	–	–	–	–
<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

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### 33. CAPITAL COMMITMENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Approved but not contracted for:				
– Property, plant and equipment	2,299	2,914	–	1,630
Approved and contracted for:				
– Property, plant and equipment	35	–	–	–

### 34. CONTINGENT LIABILITIES

#### (c) Liquidated Ascertained Damages

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

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 35. SIGNIFICANT EVENTS

- (a) The COVID-19 pandemic which had adversely affected the global and domestic economy continued to pose challenges to the financial performance and operations of the Group. Nevertheless, the Group has in place the measures to mitigate the impact of the pandemic and sustain its businesses.

Group-wide cost reduction measures, will continue to be championed alongside deferment and suspension of non-essential expenditure and optimal inventory management. Business continuity plans have been activated, 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.

As Malaysia transitioned to the endemic phase of COVID 19 effective 1 April 2022 and with all restrictions on business operating hours removed, the Group is cautiously optimistic that the business environment will be more conducive which will benefit the Group.

- (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. A series of discussions and negotiations were held between GOM and BNS.

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.

Given the nature of the project, the Group had actively engaged with MINDEF and various government agencies since 7 May 2021 via a series of discussions and workshops to deliberate on mechanism to resume the LCS project. This has culminated in the announcement by the Senior Minister of Defence on 20 April 2022 that the Cabinet has approved the continuance of the project.

Several group companies act as vendors to BNS in respect of the LCS project. As at 31 December 2021, the amount owing by BNS to various group companies stood at RM333,588,000 against which an allowance for expected credit losses of RM11,039,000 has been made. Based on the recent developments as mentioned above, the Group is of the opinion that the allowance of ECL of RM40,917,000 is sufficient and no further allowance of ECL is required to be made in the Group for amounts due from BNS.

- (c) Right-sizing exercise and Internal business reorganisation

The Group has undertaken an exercise to identify the optimal organisational and operational structure. An obvious component of this exercise is a critical review of appropriate human capital resources across the entire Group. Specific right-sizing initiatives, based on a holistic perspective at BHIC level, with the focus on potential synergy across the group of companies, productivity level and areas of inefficiency, have taken place in all primary operating facilities, including the head office and have led to a reduction in overall employee headcount. This exercise was completed by the end of 2021.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 36. RELATED PARTY DISCLOSURES

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Interest income</b>				
Subsidiaries	–	–	1,299	2,382
Government-related financial institutions	30	265	2	39
Joint ventures	55	57	–	–
Associates	1	2	–	–
<b>Dividend income</b>				
Joint ventures (Note 18)	510	3,677	–	–
<b>Sales of goods/Rendering of services</b>				
Associates	75,523	86,664	–	–
Joint ventures	30,955	50,291	–	–
<b>Purchases of goods/Rendering of services</b>				
Immediate holding company	(932)	(599)	(632)	(559)
Related companies	(521)	(363)	–	(21)
Joint ventures	–	–	–	–
Associates	(1,827)	(1,971)	–	–
<b>Management fees</b>				
Joint ventures	144	304	–	–
Associates	–	48	–	–
<b>Rental income</b>				
Joint venture	3,347	3,347	–	–
<b>Interest expense paid to:</b>				
Subsidiaries	–	–	(151)	(182)
Joint ventures	–	(6)	–	(6)
Immediate holding company	(21)	–	(21)	–
Government-related financial institutions	(11,545)	(13,017)	(11,091)	(12,431)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 36. RELATED PARTY DISCLOSURES (CONT'D.)

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

The directors are of the opinion that the above transactions are entered in the normal course of business and at standard commercial terms mutually agreed between the parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2021 are disclosed in Notes 21 and 28.

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

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Wages and salaries	2,325	2,699	1,419	600
Defined contribution plan	203	350	81	77
Others	2,389	3,422	1,679	1,704
	4,917	6,471	3,179	2,381

**(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.
- 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 received 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 Malaysia ("KDNM"), representing the GOM extended the contract for another year from 1 July 2020 to 30 June 2021 at a ceiling contract value of RM70.7 million. On 30 June 2021, KDNM further extended the contract for another year from 1 July 2021 to 30 June 2022 with a new total ceiling contract valued at RM96.0 million.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

### 36. RELATED PARTY DISCLOSURES (CONT'D.)

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

##### (i) Individually significant transactions because of size of transaction (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 a Letter of Award (“LOA”) for the extension of this contract until 31 March 2020 with an additional contract value of RM215.0 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 RM1.2 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 MINDEF for the maintenance and upgrading of Combat Management System for KD Jebat 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 MINDEF for the Refit works on KD Terengganu at a contract value of RM96.0 million.
- On 26 February 2021, BNS accepted a Letter of Work from MINDEF for the Refit works on KD Kasturi at a contract value of RM40.8 million.
- On 26 April 2021, BNS accepted a Letter of Work from MINDEF for the Refit works on KD Ledang at a contract value of RM52.0 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 EUR169.9 million and RM432.4 million (inclusive of Goods and Services Tax), effective from 1 November 2015.
- On 28 March 2019, BDNC, a joint venture of the Group, received a letter of award from MINDEF to undertake In Service Support 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 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 19 July 2021, BDNC received an additional Letter of Acceptance from MINDEF for the extension of this contract for another year until 31 December 2021 with a contract value of RM159.1 million.
- On 21 April 2021, BSES, a wholly owned subsidiary of the Group, received the Letter of Acceptance dated 7 April 2021 from MINDEF representing the GOM awarding BSES a contract for the Submarine Facilities Upkeep for the Royal Malaysian Navy at a contract value of RM78.1 million for a period of 24 months from 1 January 2021 until 31 December 2022. A formal contract between the GOM and BSES was executed on 30 September 2021.

### 37. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 27 April 2022.

# SHAREHOLDING STATISTICS

as at 31 March 2022

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 HOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	1,015	27.709	16,507	0.006
100 – 1,000	1,073	29.292	531,723	0.214
1,001 – 10,000	1,099	30.002	4,928,569	1.983
10,001 – 100,000	384	10.483	11,880,900	4.781
100,001 – 12,422,879(*)	90	2.457	49,335,667	19.856
12,422,880 and above(**)	2	0.054	181,764,248	73.157
<b>Total</b>	<b>3,663</b>	<b>100.000</b>	<b>248,457,614</b>	<b>100.000</b>

Remark: \* – less than 5% of issued shares

\*\* – 5% and above of issued shares

## INFORMATION ON SUBSTANTIAL HOLDERS' HOLDINGS

Size of Holdings	No. of shares direct	%
Boustead Holdings Berhad Account Non-Trading	161,497,448	64.999
Lembaga Tabung Angkatan Tentera	20,266,800	8.157

## INFORMATION ON DIRECTORS HOLDINGS

Name of Directors	No. of shares Direct	%
Rozi Baharudin	5,000	0.002

## LIST OF TOP 30 HOLDERS

(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

No.	Name of Shareholders	Holdings	%
1	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	161,497,448	64.999
2	LEMBAGA TABUNG ANGKATAN TENTERA	20,266,800	8.157
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (MAYBANK 1)	5,719,634	2.302
4	TAN HAN CHONG	3,197,000	1.286
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (NOMURA 1)	3,118,200	1.255
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (ABERDEEN 1)	2,564,633	1.032

**LIST OF TOP 30 HOLDERS (CONT'D.)**

(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

No.	Name of Shareholders	Holdings	%
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEAN MENG SEONG (8029269)	2,000,300	0.805
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAD RAMLI BIN MOHD NOR (8029256)	2,000,000	0.804
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PERAMJEET SINGH A/L GIAN SINGH (8029243)	2,000,000	0.804
10	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN (CEB)	1,791,000	0.720
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHUA ENG HO WA'A @ CHUA ENG WAH	1,718,200	0.691
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NORAZLAN BIN MOHAMAD NORDIN (CEB)	1,175,000	0.472
13	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)	1,100,000	0.442
14	LIEW CHEE CHEONG	1,000,000	0.402
15	WONG AH TIM @ ONG AH TIN	1,000,000	0.402
16	LIEW SIEW LAN	975,900	0.392
17	B & A FAMILY HOLDINGS SDN BHD	900,000	0.362
18	CHOW KWAI KENG	852,900	0.343
19	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MM0197)	831,000	0.334
20	HSBC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	639,000	0.257
21	TAN CHING LING	572,400	0.230
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KOK BENG (E-BMM)	570,000	0.229
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MONINDAR KAUR A/P HARCHARAN SINGH (8037133)	424,000	0.170
24	LOOI TEIK AUN	404,900	0.162
25	JULIAN JAMES ARMSTRONG	400,000	0.160
26	TAN LEE HWA	390,000	0.156
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM LEONG THUN (E-SS2)	388,600	0.156
28	MAVIS TAN KENG MUN	383,000	0.154
29	ONG TONG PHENG @ ENG AH TOON	376,000	0.151
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEAN MENG TUCK (7002971)	375,700	0.151
<b>TOTAL</b>		<b>218,631,615</b>	<b>87.995</b>

# GROUP PROPERTY LIST

As At 31 December 2021

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	20.2 acres	Leasehold expiring on 24/01/2072	50 Years	12,717
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	50 Years	1,351
HS(D) 16204, PT8711 Mukim Lumut Daerah Manjung, Perak	Marine industry land	76.0 acres	Leasehold expiring on 18/10/2099	21 Years	—
HSM 3558 Lot No. 20238 Mukim 13 Daerah Timur Laut Pulau Pinang	Building	0.8 acre	Leasehold expiring on 15/11/2073	8 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	9 Years	10,828

**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 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 50<sup>th</sup> 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, 15 June 2022 at 9.30 a.m. The Broadcast Venue for the Virtual AGM will be at Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor, 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 2021 and the Directors' Report and Auditors' Report thereon. **(Please refer 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) (Dr.) Salihin Abang **Resolution 1**
  - (b) Hajah Saadatul Nafisah Bashir Ahmad **Resolution 2**
  - (c) Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired) **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) Dato' Ahmad Nazim Abd Rahman **Resolution 4**
  - (b) Datuk Nasarruddin Dato' M Zin **Resolution 5**
4. To approve the payment of Directors' fees, Directors' benefits and meeting allowances to the Directors of the Company for the period from 16 June 2022 until the conclusion of the next AGM. **Resolution 6**
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. **Resolution 7**

## SPECIAL BUSINESS

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

### **(A) AUTHORITY TO ALLOT SHARES IN GENERAL PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

**Resolution 8**

"**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to allot shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."



## NOTICE OF ANNUAL GENERAL MEETING

### (B) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

#### Resolution 9

- (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 23 June 2021, 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 29 April 2022, 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.
- (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 have been received.

### BY ORDER OF THE BOARD

#### ROZANA ISMAIL

(LS 0008847)

SSM Practicing Certificate No: 201908003365

Secretary

Kuala Lumpur

29 April 2022

**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 50<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) (Dr.) Salihin Abang;
- (b) Hajah Saadatul Nafisah Bashir Ahmad; and
- (c) Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired).

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 and 5 – 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 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) Dato' Ahmad Nazim Abd Rahman
- (b) Datuk Nasarruddin Dato' M Zin

The profiles of the abovenamed Directors are stated in the Directors Profile of the Annual Report.

**4. Resolution 6 – 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 50<sup>th</sup> AGM on the Directors' remuneration for the period from 16 June 2022 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 ANNUAL GENERAL MEETING

### (a) Boustead Heavy Industries Corporation Berhad

Description		Directors' Fees (Annual) (RM)	Meeting Allowance (per meeting) (RM)	Benefits in kind
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

		Directors' Fees (Annual) (RM)	Meeting Allowance (per meeting) (RM)
Board of Directors	Chairman	48,000	1,500
	Member	36,000	1,000

#### 5. Resolution 7 – 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 19 April 2022 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 2022.

#### 6. Resolution 8 – Authority for Directors to Allot Shares

The Proposed Ordinary Resolution 8, 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 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company.

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

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

As at the date of this Notice, no new shares were issued pursuant to the authority granted to the Directors at the 49<sup>th</sup> AGM held on 23 June 2021, the mandate of which will lapse at the conclusion of the 50<sup>th</sup> AGM to be held on 15 June 2022.

7. **Resolution 9 – Recurrent Related Party Transactions**

Ordinary Resolution 9, 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 29 April 2022 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 50<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 50<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 50<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 8 June 2022. Only members registered in the Record of Depositors shall be entitled to participate and voted in the 50<sup>th</sup> AGM via RPV or appoint proxies to participate and/or vote on his/her behalf.
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.
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.

## NOTICE OF ANNUAL GENERAL MEETING

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 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.
9. The appointment of proxy may be made in a hard copy 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, 13 June 2022 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.
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 50<sup>th</sup> AGM will be put to the vote by poll.

# ADMINISTRATIVE NOTES

for the 50<sup>th</sup> Annual General Meeting of Boustead Heavy Industries Corporation Berhad

Date	Time	Venue
Wednesday, 15 June 2022	9.30 a.m.	Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor, Malaysia

## MODE OF MEETING

In view of the COVID-19 pandemic outbreak and as part of the safety measures, the 50<sup>th</sup> Annual General Meeting of Boustead Heavy Industries Corporation Berhad (50<sup>th</sup> 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 (Tricor) TIH 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 16 July 2021, that listed issuers are encouraged to continue leveraging technology in conducting general meetings beyond Movement Control Order.

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.

## 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 AGM using RPV provided by Tricor via its TIH Online website at <https://tiih.online>.

Shareholders who appoint proxies to participate via RPV in the 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, 13 June 2022 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, 13 June 2022 at 9.30 a.m. to participate via RPV in the AGM. Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor not later than Monday, 13 June 2022 at 9.30 a.m. to participate via RPV in the AGM.

A shareholder who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV must request his/her proxy to register himself/herself for RPV at TIH Online website at <https://tiih.online>.

**As the 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 50<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 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 Friday, 29 April 2022 until the day of the AGM on Wednesday, 15 June 2022. 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 50<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 <b>e-mail to notify</b> 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 8 June 2022, the system will send you an <b>e-mail on or after 13 June 2022 to approve or reject</b> your registration for remote participation.</li> </ul> <p><i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).</i></p>
<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 50<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, 15 June 2022.</li> </ul>
(d) Participate through Live	<ul style="list-style-type: none"> <li>Select the corporate event: <b>(Live Streaming Meeting) Boustead Heavy Industries Corporation Berhad 50<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, 15 June 2022 until a time when the Chairman announces the completion of the voting session at the 50<sup>th</sup> AGM.</li> <li>Select the corporate event: <b>(Remote Voting) Boustead Heavy Industries Corporation Berhad 50<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 8 June 2022 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, 13 June 2022 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 50<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 50<sup>th</sup> Annual General Meeting of Boustead Heavy Industries Corporation Berhad

Procedure	Action
<b>ii. Steps for corporation or institutional shareholders</b>	
Register as a User with TIH Online	<ul style="list-style-type: none"> <li>Access TIH 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 TIH Online at <a href="https://tiih.online">https://tiih.online</a>.</li> <li>Select the corporate exercise name: <b>“Boustead Heavy Industries Corporation Berhad 50<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 TIH Online, select corporate exercise name: <b>“Boustead Heavy Industries Corporation Berhad 50<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 AGM, shareholders may in advance, before the AGM, submit questions to the Board of Directors via Tricor’s TIH Online website at <https://tiih.online>, by selecting “e-Services” to login, post your questions and submit it electronically no later than 13 June 2022. The Board of Directors will endeavour to address the questions received at the 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 would like to 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**

197101000758 (11106-V)  
(Incorporated in Malaysia)

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 50<sup>th</sup> Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor, Malaysia on Wednesday, 15 June 2022 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 2021 and the Directors' Report and Auditors' Report thereon
ORDINARY BUSINESS	
Re-election of the following Directors who retire in accordance with Article 107 of the Constitution of the Company	
2	Re-election of (Dr.) Salihin Abang
3	Re-election of Hajah Saadatul Nafisah Bashir Ahmad
4	Re-election of Vice Admiral Dato' Syed Zahiruddin Putra Syed Osman (Retired)
Re-election of the following Directors who retire in accordance with Article 100 of the Constitution of the Company	
5	Re-election of Dato' Ahmad Nazim Abd Rahman
6	Re-election of Datuk Nasarruddin Dato' M Zin
ORDINARY BUSINESS	
7	Approval of Directors' fees, meeting allowances and other benefits from 16 June 2022 until the conclusion of the next AGM
8	Re-appointment of Messrs. Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration
SPECIAL BUSINESS	
9	Approval for Directors to allot and issue shares
10	Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

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 50<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 8 June 2022. Only depositors whose name appears on the Record of Depositors as at 8 June 2022 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.
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 hard copy 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, 13 June 2022 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)

**BOUSTEAD HEAVY INDUSTRIES CORPORATION**

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