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Boustead Heavy Industries Corporation Berhad 11106-V
17th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia

2008 annual report

Boustead Heavy Industries Corporation Berhad 11106-V

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

navigating a passage of excellence

2008 annual report

Navigating a passage of excellence

Like the sailfish *(ikan marlin)*, the fastest fish in the ocean, the **Boustead Heavy Industries Corporation Group** is rapidly gaining momentum to elevate ourselves as a major player in the maritime, defence and heavy industries in this region. Moving forward, we see no boundaries to our growth as we continue to **navigate our passage of excellence.**

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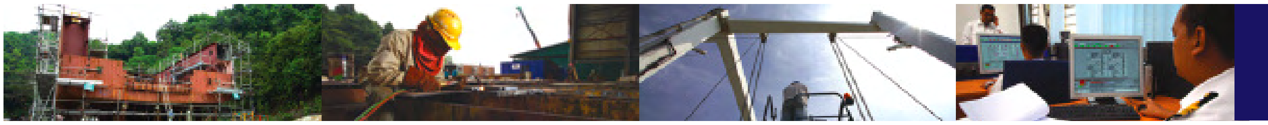

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of the Company will be held at 4th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur on Tuesday, 31 March 2009 at 10.00 a.m. to transact the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of Directors and Auditors thereon. **(Ordinary Resolution 1)**

2. To approve the payment of Directors' Fees. **(Ordinary Resolution 2)**

3 To approve a final dividend for the year ended 31 December 2008. **(Ordinary Resolution 3)**

4. To re-elect Encik Abd Malik bin A Rahman who retires in accordance with Article 83 of the Company's Articles of Association. **(Ordinary Resolution 4)**

5. To re-elect Y. Bhg. Datuk Azzat bin Kamaludin who retires in accordance with Article 77 of the Company's Articles of Association. **(Ordinary Resolution 5)**

6. To re-elect Encik Ishak bin Osman who retires in accordance with Article 77 of the Company's Articles of Association. **(Ordinary Resolution 6)**

7. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to determine their remuneration. **(Ordinary Resolution 7)**

8. As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:

   ORDINARY RESOLUTION – AUTHORITY TO ISSUE SHARES

   "THAT subject always to the Companies Act, 1965 and the approvals of the relevant authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue and to allot shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Ordinary Resolution 8)**

9. As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:

   ORDINARY RESOLUTION – PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED ADDITIONAL SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT, subject to the Companies Act, 1965 (Act), the Memorandum and Articles of Association of the Company and the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its Subsidiaries to enter into all transactions involving the Related Parties as specified in Section 2.3 of the Circular to Shareholders dated 6 March 2009 provided that such transactions are:

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the day-to-day operations;

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(iv) are not to the detriment of the minority shareholders.

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

(a) the conclusion of the next Annual General Meeting (AGM) of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by a resolution passed by the Shareholders in a General Meeting;

whichever is the earlier.

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

(Ordinary Resolution 9)

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a single tier final dividend of 5.5% per ordinary share for the financial year ended 31 December 2008, if approved by shareholders, will be payable on 18 May 2009 to shareholders whose names appears in the Records of Depositors of the Company at the close of business on 30 April 2009.

A Depositor shall qualify for entitlement only in respect of:

a. shares transferred to the Depositor's Securities Account before 4.00 p.m. on 30 April 2009 in respect of transfers; and

b. shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

KANG SHEW MENG
SEOW FEI SAN
Secretaries

Kuala Lumpur
Date : 6 March 2009

Notice of Annual General Meeting

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.

2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholding to be represented by each proxy.

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

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

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

6. *Explanatory notes on Special Business:*

   Ordinary Resolution 8

   The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to issue and allot not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant authorities and for such purposes as the Directors consider would be in the interest of the Company.

   This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

   Ordinary Resolution 9

   The proposed Ordinary Resolution 9, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group’s day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Statement Accompanying Notice of the Thirty-Seventh Annual General Meeting

DIRECTORS STANDING FOR RE-ELECTION AT THE THIRTY-SEVENTH ANNUAL GENERAL MEETING

Directors retiring by rotation pursuant to Article 77 of the Company's Articles of Association and seeking for re-election are:

(a) Y. Bhg. Datuk Azzat bin Kamaludin

(b) Encik Ishak bin Osman

Director retiring pursuant to Article 83 of the Company's Articles of Association and seeking for re-election is:

(a) Encik Abd Malik bin A Rahman

The details of the above three Directors seeking re-election are set out in the Directors' Profile which appear from page 23 to page 26 of the Annual Report. Their shareholdings in the Company are set out in the Directors Shareholdings on page 111 of this Annual Report.

Letter from the Chairman

Y. BHG. TAN SRI DATO' CHE LODIN BIN WOK KAMARUDDIN
Chairman

Dear Shareholders,

Last year I shared with you our principal focus for 2008 was to further grow our revenues, build a stronger order book and improve productivity level. This target was set after the completion of our restructuring exercise in August 2007, which saw RM540 million debts restructured.

Our passage of excellence has begun, and although the route maybe full of challenges, we remain committed in reaching our goal as we believe that opportunities exist to those who look.

It is undeniable that 2008 was a tumultuous year, where we witnessed significant changes in the economic and political landscape, both domestically, and globally. Oil prices reached the giddying high of US$145 per barrel, and plummeted to US$34 in the same year. We were also affected by the steel prices which rose to US$1,167 per tonne and fell to US$255 in the same year.

In spite of challenges which are beyond our control, and the various outstanding legacy issues we inherited from the previous management, we achieved our target. Revenue for the Group grew by 324%, from RM117 million to RM496 million, driven by income from existing and new projects. We recorded RM135 million in profit before taxation and exceptional item, an increase of 64% from RM82 million, not including the debt waiver.

Behind this positive achievement is a story of the human spirit - of those who believed in us, those that honoured the trust bestowed to them. I am thankful to our employees who, regardless of the roles they have played, shared our vision for the Group.

I am also proud of our employees who dare to think out of the box and believe in our ability to stretch beyond our existing capability. I believe, with our committed management team and dedicated workforce, we are capable of transforming the Boustead Heavy Industries Group into one of the regional leaders in ship building and ship repair. We will continue to develop our competencies in oil and gas fabrication sector and defence support businesses.

We realise that we will not be spared from the current global economic epidemic. We are bracing ourselves for a prolonged global economic slowdown. Nevertheless, we believe that we are in the position to capture and exploit opportunities.

"There is no security on this earth, there is only opportunity"

General Douglas MacArthur (1880-1964)

In these tough operating conditions, we have to work hard and smart to convert opportunities into possibilities. We will continuously improve our organisation as part of our focused transformation exercise, to position ourselves as leaders in our core areas. Human capital development will remain our focus, with the objective to develop the younger generation to assume the mantle of leading this Group in future.

With our positive results for 2008, I am happy to inform you that your Board of Directors has proposed a single tier final dividend of 5.5% on 248,457,614 ordinary shares.

I would like to record my appreciation to my fellow members of the Board, for their commitment in fulfilling their duties as Directors of the Company. I would like to take this opportunity to extend a warm welcome to Encik Abd Malik bin A Rahman who joined the Board on 1 June 2008.

Our achievements in 2008 would not have been realised without the unwavering support of our stakeholders. I extend my sincere thanks to the Government of Malaysia including the numerous government bodies, our shareholders, our suppliers, our financiers, our partners and our employees for their faith and trust in us. 2009 will be a year full of challenges, and your continued goodwill and encouragement will strengthen us moving forward.

Sincerely,

Y. BHG. TAN SRI DATO' CHE LODIN BIN WOK KAMARUDDIN
Chairman

Executive Deputy Chairman's Statement

Y. BHG. LAKSAMANA MADYA DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR (R)
Executive Deputy Chairman

To our investors,

2008 was a year of significant events, events which had and will impact us, both in the short and long term. The changes in the economic landscape are some of the obstacles that we face. We shall continue to manage this challenge proactively.

Our worker operating the computer numerical control (CNC) plate cutting machine at Jerejak Yard.

A skilled worker, cutting the steel for the construction of tug boat at Jerejak Yard.

Safety Officer overseeing Anchor Handling Tug & Supply Vessel (AHTS) under construcion at Jerejak Yard.

FINANCIAL PERFORMANCE AND POSITION

I am happy to report that in 2008, the Boustead Heavy Industries Corporation (BHIC) Group generated RM496.2 million in revenue and RM134.7 million in profit before taxation and exceptional item. Our four-fold increase in revenue is mainly due to progress billings from our shipbuilding contracts. Our profit margin was however adversely affected by the increase in crude oil and steel prices, which peaked in mid-2008.

By the end of the year, our shareholders' fund has grown to RM320.3 million, from RM208.6 million as at 31 December 2007, and net asset per share stood at RM1.29 as against RM0.84 a year ago. Our gearing level was minimal.

SHARE PERFORMANCE

At the close of the year, BHIC share price stood at RM2.87, 61.5% lower than the share price at the beginning of the year. There were many factors that influence our share price, but the global financial crisis was definitely the major factor affecting its performance in 2008.

Ship Building

COMMERCIAL

Construction work at Jerejak Yard.

There was an increased level of activities in our yards, including the yards under our associate company, Boustead Naval Shipyard Sdn. Bhd. (BN Shipyard), as compared to the previous year. As at the end of 2008, the BHIC Group (excluding BN Shipyard) has an order book of RM608 million, a definite improvement as compared to the order book of RM195 million at the end of 2007.

Ongoing constructions of commercial vessels in our 26-acre Jerejak Yard in Penang include three 7,000 DWT chemical tankers and two units of Anchor Handling Tug Supply Vessels.

We have also secured two contracts from Swire Pacific Offshore Operations Pte Ltd to build two separate 111 metre-long accommodation work barges worth RM214 million.

BN Shipyard at Lumut is currently undertaking the construction of an Anchor Handling Tug Support Vessel, one 60.8 meter well testing and servicing vessel and the hull for a floating hotel. These projects are expected to be completed in 2009.

It is worth noting that Lloyd's Register recently reported that Malaysian shipyards in general will be occupied up to mid-2009, and will only feel the bite of the global economic downturn in the second half of 2009 after the backlog of present contracts dried up. With the economic downturn, more than two hundred new ship orders around the world were cancelled towards the end of last year, with the majority of the vessels being dry bulkers and general cargo vessels.

However, Malaysian shipyards, including our own, are mainly driven by the offshore oil and gas industry, and the robust exploration works conducted by oil majors both in local and international waters, despite oil prices having tumbled, will help our shipyards withstand the current storm.

AHTS Tanjung Gelang undergoing final testing at Lumut Yard.

Close monitoring by senior management team at Jerejak Yard.

Skilled workforce, especially in the technical services and engineering discipline, are the backbone of our operations.

Ship Building

NAVAL

We are proud to be entrusted by the Royal Malaysian Navy to build the patrol vessels.

The BHIC Group continues our focus on naval shipbuilding. BN Shipyard at Lumut remains as our naval shipbuilding centre.

The naming ceremony of our fifth patrol vessel was officiated by Her Royal Highness Raja Perempuan Kelantan on 24 November 2008. It was a significant event for us as it marked yet another milestone in the resumption of the construction of the offshore patrol vessels for the Royal Malaysian Navy after a two year period of inactivity. I am pleased to report that we are nearing the finishing line, with the sixth patrol vessel scheduled to be launched in May 2009, and final outfitting of the remaining four patrol vessels in progress, and expected to be delivered to the Royal Malaysian Navy by early 2010.

Launching ceremony of PV KELANTAN at Boustead Naval Shipyard on 24 November 2008.

Dedicated team overseeing the shipbuilding project at Lumut Shipyard.

One of our strategies is to increase our capabilities via strategic alliance. One such alliance is through our new joint-venture company with Yonca-Onuk Savunma Sanayii A.S, Turkey (Yonka Onuk), which shall build, sell and market composite boats designed by Yonka Onuk. We believe in the business potential of this undertaking, given the current environment as these boats can operate as fast patrol crafts and perform search and rescue, anti smuggling, pollution control and special operation duties.

PV PERAK on sea trial.

Ship Repair

Engine installation for Navy vessel at Lumut Yard.

We will continue to strengthen our competencies in ship repair as ship repair will remain as one of our core activities. We have expanded our ship repair activities to Sabah. The expansion to East Malaysia is part of our two-pronged strategy to provide repairs and in-service support to naval ships and capture the maintenance market for the oil and gas supports vessel supporting oil production fields offshore Sabah and Sarawak.

Our operations in Sabah and Tema in Ghana, as well via BN Shipyard in Lumut and Langkawi caters for a diverse range of clientele, ranging from the Royal Malaysian Navy, local and overseas ship owners to yacht owners. Whilst we provide the usual refit, repairs, overhauls and calibration work, we also offer in-service support, which is a more holistic approach to ship repairing work. In-service support includes the supply of spare parts, provision of preventive and corrective maintenance programmes, and logistics support. As a one-stop centre, we offer value-added service to our clients.

We remain positive on the potential of our subsidiary in Ghana, PSC Tema Shipyard Limited. We are committed in ensuring that our investment yield the expected results, and take cognisance of the need to improve the infrastructure of the Tema Yard.

Ship repair team monitoring work at Lumut Yard.

Our Langkawi yard specialises in yacht repairs and construction.

Dry docking repairs at Ghana Yard.

Oil & Gas

FABRICATION WORKS

The MUDA Living Quarters Building is five-storeys high and will be equipped with a helideck.

With the licence from Petroliam Nasional Berhad (PETRONAS) granted to us in May 2008, we have intensified our efforts in the oil and gas activities. As a member of the Offshore Structure Fabricators Association Malaysia (OSFAM), an association of seven members comprising major fabricators, we are qualified to bid for major oil and gas structure fabrication works from oil and gas operators.

The contract awarded by Carigali-PTTEPI Operating Company Sdn. Bhd. (CPOC) for the fabrication of MUDA Living Quarters Building, the scope of which covers engineering, procurement, construction and on-shore commissioning, marks our first foray into the oil and gas fabrication work since obtaining the PETRONAS license. The living quarters building structure is one of the first using light weight design structure to be built in Malaysia. Although the learning curve has been steep, we together with CPOC are committed to ensure a successful completion of the project.

Technical personnel monitoring piping installation.

Work in progress at tanker, Jerejak Yard.

Thorough tank air test conducted to ensure quality at Jerejak Yard.

Executive Deputy Chairman's Statement

ELECTRONICS AND WEAPONRY

We have identified Electronics and Weaponry as core activities in our defence support businesses. We are developing our Electronics unit into a centre of excellence. Given that we are currently amongst the several commercial enterprise in the ASEAN region providing service, maintenance, repairs, and overhaul of naval and ground electronic equipments and systems, we believe there is tremendous business potential for Electronics. In terms of market reach, we are not confining ourselves to the defence sector, but also penetrating the commercial sector.

Given our understanding and ongoing relationship with the Malaysian Armed Forces, we believe that we are well positioned to tap into the weaponry business. We are also developing our Weaponry unit into a service provider, and parts supplier to the defence industry in Malaysia and abroad.

An electrical engineer at Lumut Yard undertaking repairs of navigation radar.

Weaponry experts repairing BOFORS guns at Lumut Yard.

A young female engineer repairing a radio and telecommunications board at Lumut Yard.

VENDOR DEVELOPMENT PROGRAMME

We have long recognised the importance of vendors as one of the key stakeholders in our operations. As a government-linked company, we acknowledged our obligation to ensure the development of our local vendors. As a business enterprise, we also realised that a good vendor support will only enhance our value.

Presently, the vendor development programme is being led by BN Shipyard, given its background as a privatised entity. Our plan is to expand the vendor development programme involving all companies within the BHIC Group.

This year, one of the initiatives undertaken by BN Shipyard was the Tripartite Memorandum of Understanding (MoU) on the implementation of the vendor development programme, signed with the Government (represented by The Chief Secretary of the Ministry of Entrepreneur and Cooperative Development) and SME Bank on 24 May 2008. The MoU serves as a platform for the three key players to render assistance in various areas with the ultimate objective of grooming local vendors into capable entities.

Going forward, we envisage more smart partnerships with other organisations to enable our vendors easier access to training, capital and entrepreneurship skills. We are currently developing a web portal with a comprehensive database of our vendors.

Vendor development is one of our key thrusts in 2009 and it is our objective to ensure that our vendor development program is strategically developed and implemented.

One of our registered vendors, Keymarine Sdn. Bhd. at work in one of our ships.

Another registered vendor, AANS Sdn. Bhd., doing piping work on board of PV3.

Vendor development programme in Kota Kinabalu, Sabah on 29 October 2008.

Executive Deputy Chairman's Statement

CORPORATE SOCIAL RESPONSIBILITY

The BHIC Group's corporate social responsibility framework is guided by the principles outlined in GLC Transformation Program Silver Book. We believe our contribution to the society creates sustainable benefits, generating value to our shareholders and other key stakeholders in the long term. As an investee company of the Armed Forces' Fund (Lembaga Tabung Angkatan Tentera), we proactively support efforts to benefit retired and serving members of the Armed Forces, and their families.

In 2008, we supported core areas of socially responsible contributions including upholding the fundamental principle of human rights, continuous effort to provide employee welfare and improve customer service, developing programmes to strengthen our partnership with suppliers, contributing to the communities within our society and implementing policies and guidelines to ensure ethical business behaviour.

As a responsible corporate citizen, we ensured our activities are aligned with the key national economic development policies, including ensuring Bumiputera's equity share in the nation's economic growth, raising the national capacity for knowledge and innovation and empowering youth for the future.

In 2008, we embarked on the "Satu Daerah Satu Industri" (SDSI) programme, an initiative of the Ministry of Entrepreneurship and Cooperative Development (MECD), to assist in developing entrepreneurship skills among Small and Medium Industry (SMI) entrepreneurs. The programme was conducted for twenty three Bumiputera SMI entrepreneurs from the Manjung district in collaboration with Universiti Kuala Lumpur. In addition, we provided on the job training for sixty five undergraduates from various Malaysian Institution of Higher Learning and provided on the job training for eighty eight Royal Malaysian Navy apprentices. We have also intensified efforts in our Vendor Development Program.

Doing their part for the society, employees participating in the blood donation drive at Lumut Yard.

The Satu Daerah Satu Industri programme involves training in the areas of entrepreneurship, motivation, strategic marketing and business planning.

We will continue to improve our programme of contributions to society, including institutionalising the processes to identify, manage and enhance the value of our contributions to society.

FUTURE PLANS

We are not isolated from the current global economic environment. There are many factors to be considered and we are bracing ourselves to face difficult business conditions for the next two years, at least. However, we also view this as an opportunity to improve ourselves and move to the next level. We are embarking into a focussed transformation program which sees human capital development, continuous business processes improvement and vendor development program as the major key areas of focus.

Combat System Simulation Programme conducted by Marine Technology Academy at Lumut Yard.

Daily exercise routine ensures a healthy workforce.

We shall continue to form smart and strategic alliances to strengthen our core competencies and to acquire new technologies.

We shall also continue to penetrate the market frontiers beyond Malaysian shore, focusing in particular the Asia-Pacific and Western African region.

ACKNOWLEDGEMENT

We could not have achieved what we had in 2008 without the support of our dedicated workforce, at all levels and across all functions, our supportive vendors, business partners and financiers. We also appreciate the confidence and trust placed in us by our customers.

Our utmost gratitude goes to the Government of Malaysia and the various ministries and agencies for the guidance and support given. And most certainly our shareholders who continued to remain with us throughout this exciting journey.

Launching of Quality Environment Campaign at Boustead Naval Shipyard.

Block assembling at Jerejak Yard.

Profile of The Board of Directors

Y. BHG. TAN SRI DATO' CHE LODIN BIN WOK KAMARUDDIN
Chairman
59 years of age, Malaysian

Tan Sri Lodin was appointed to the Board on 1 January 2008.

Tan Sri Lodin holds a Bachelor of Business Administration and Master of Business Administration from the College of Business Administration, The University of Toledo, Ohio, United States of America. He joined the Armed Forces Fund Board (Lembaga Tabung Angkatan Tentera) in 1982. Prior to joining the Armed Forces Fund Board, he was the General Manager of Perbadanan Kemajuan Bukit Fraser from 1973 to 1982.

Tan Sri Lodin is the Chief Executive of the Armed Forces Fund Board and Group Managing Director of Boustead Holdings Berhad. He is also the Deputy Chairman of Affin Holdings Berhad and sits on the Boards of Boustead Naval Shipyard Sdn. Bhd., Boustead Plantations Berhad, Boustead Properties Berhad, UAC Berhad, Affin Investment Bank Berhad, Affin Capital Sdn. Bhd., AXA AFFIN Life Insurance Berhad, Johan Ceramics Berhad, The University of Nottingham in Malaysia Sdn. Bhd., Boustead Petroleum Marketing Sdn. Bhd., Boustead Petroleum Sdn. Bhd., Boustead REIT Managers Sdn. Bhd. and Badan Pengawas Pemegang Saham Minoriti Berhad.

Tan Sri Lodin does not have any family relationship with any Director and/or major shareholder of Boustead Heavy Industries Corporation Berhad (BHIC) or any personal interest in any business arrangement involving the Company.

Profile of The Board of Directors

Y. BHG. LAKSAMANA MADYA DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR (R)
Executive Deputy Chairman/ Group Managing Director
65 years of age, Malaysian

Dato' Seri Ramli was appointed to the Board on 17 August 2005.

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

Dato' Seri Ramli sits on the board of several public companies including Affin Bank Berhad, Muhibbah Engineering Berhad, Comintel Corporation Berhad, Favelle Favco Berhad and Affin Islamic Bank Berhad.

Dato' Seri Ramli does not have any family relationship with any director and/or major shareholders of BHIC, or any personal interest in any business arrangement involving the Company.

Y. BHG. DATUK AZZAT BIN KAMALUDIN
Non-Independent Non-Executive Director
64 years of age, Malaysian

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

Datuk Azzat is a lawyer by profession, and is a partner of the law firm of Azzat & Izzat. He holds degrees in Law and International Law from the University of Cambridge and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an Administrative and Diplomatic Officer with the Ministry of Foreign Affairs in various capacities. He was a member of the Securities Commission from 1993 to 1999.

Datuk Azzat sits on the Board of Affin Holdings Berhad, Boustead Holdings Berhad, KPJ Healthcare Berhad, Pulai Springs Resort Berhad, Celcom (Malaysia) Berhad, Visdynamics Holdings Berhad, TM International Berhad and several other private limited companies.

Datuk Azzat does not have any family relationship with any director and/or major shareholders of BHIC, or any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner.

Mr. Berry was appointed to the Board on 23 February 2006. He is the Chairman of the Audit Committee and the Senior Independent Director.

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

Mr. Berry is currently the Managing Director (Governance) at Columbus Circle Governance Sdn. Bhd. He is Vice President of the Board of Governors of Malaysian Institute of Corporate Governance and a Director of the Malaysian Investor Relation Association.

Mr. Berry does not have any family relationship with any director and/or major shareholders of BHIC, or any personal interest in any business arrangement involving the Company other than the rendering of professional services to the Group, which is carried out in the ordinary course of business of Columbus Circle Governance Sdn. Bhd.

MR. DAVID WILLIAM BERRY
Independent Non-Executive Director
61 years of age, New Zealander and Permanent Resident of Malaysia

Encik Ishak was appointed to the Board on 22 January 1998 as the Executive Director – Operations. He was later re-designated as Non-Executive Director of BHIC on 1 September 2006.

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

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

Encik Ishak does not have any family relationship with any director and/or major shareholders of BHIC, or any personal interest in any business arrangement involving the Company.

EN. ISHAK BIN OSMAN
Independent Non-Executive Director
61 years of age, Malaysian

Profile of The Board of Directors

ENCIK ABD MALIK BIN A RAHMAN
Independent Non-Executive Director
60 years of age, Malaysian

Encik Malik was appointed to the Board as an Independent and Non-Executive Director of BHIC on 1 June 2008. He is a member of the Audit Committee.

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

Encik Malik is the Director/Regional Consultant of Grid International Sdn. Bhd. since October 2004. He held various senior management positions in Peat Marwick Mitchell (KPMG), Esso Group of Companies, Colgate Palmolive (M) Sdn. Bhd., Amway (Malaysia) Sdn. Bhd., Fima Metal Box Berhad and Guinness Anchor Berhad. He was the General Manager, Corporate Services of Kelang Multi Terminal Sdn. Bhd. (Westports) from 1994 until 2003.

Encik Malik sits on the Board of CYL Corporation Berhad, Innity Corporation Berhad, Lee Swee Kiat Group Berhad and several private limited companies.

Encik Malik does not have any family relationship with any director and/or major shareholders of BHIC, or any personal interest in any business arrangement involving the Company.

Corporation Information

BOARD OF DIRECTORS

Y. Bhg. Tan Sri Dato' Che Lodin bin Wok Kamaruddin
Chairman

Y. Bhg. Laksamana Madya Dato' Seri Ahmad Ramli bin Haji Mohd Nor (R)
Executive Deputy Chairman/Group Managing Director

Y. Bhg. Datuk Azzat Bin Kamaludin
Non-Independent Non-Executive Director

Mr. David William Berry
Independent Non-Executive Director

Encik Ishak Bin Osman
Independent Non-Executive Director
Redesignated from Non-Independent to Independent Director on 1 September 2008

Encik Abd Malik bin A Rahman
Independent Non-Executive Director
Appointed on 1 June 2008

SECRETARIES

Mr. Kang Shew Meng
Ms. Seow Fei San

AUDITORS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

REGISTRAR

Epsilon Registration Services Sdn. Bhd.
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Tel. No: 03-2264 3883
Fax. No: 03-2282 1886

PRINCIPAL BANKERS

Affin Bank Berhad
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
CIMB Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board

Group Senior Management Team

from left to right:

Peramjeet Singh	Senior General Manager, Finance
Ir. Sukhdev Singh	Senior General Manager, Information Services
Ir. Syed Amir Syed Shahabuddin	Senior General Manager, Projects
Rozana Makhzan	Director, Special Projects
Khalid Mohd	General Manager, Procurement

from left to right:

Datuk Ir. Jasan Ahpandi Sulaiman	Head of Operations, Boustead Naval Shipyard Sdn. Bhd.
Ir. Ee Teck Chee	Deputy Head of Operations, Boustead Naval Shipyard Sdn. Bhd.
Ng Hock Seng	Senior General Manager, Boustead Penang Shipyard Sdn. Bhd.
Ir. Ng Hock Seng	Senior General Manager, BHIC Petroleum Sdn. Bhd.
Datuk Tan See Ming	Director, PSC Tema Limited
Brendan Wright	General Manager, Boustead Yachts Sdn. Bhd.

Management Team

standing from left to right:

Ir. Mohamad Zamari Basnun
General Manager, BHIC Electronics and Technologies Sdn. Bhd.
Prebagaran Jayaraman
Senior Manager, Marine Technology Academy
Ir. Abd Rahim Jaafar
Senior General Manager, Atlas Defence Technology Sdn. Bhd.
Mohd Nafees Malek
Assistant General Manager, BHIC Defence Techservices Sdn. Bhd.

standing from left to right:

Abdul Rahman Hussain
Senior General Manager, BHIC Bofors Defence Asia Sdn. Bhd.
Vikinesvara Devan
General Manager, Naval and Defence Communication System Sdn. Bhd.

from left to right:

Siti Naim Jamaludin
Assistant General Manager, Legal

Mohamad Mustafa
Assistant General Manager, Finance - PV

Hamidah Sakandar Khan
Senior Manager, Human Resource & Administration

Raja Mohamed Mustaffa
General Manager, Commercial

Fong Lee Tiang
Assistant General Manager, Finance

Mohd Nordin Sulaiman
Senior Manager, Procurement

Bakhtiar Baharuddin
Senior Manager, Internal Audit

Audit Committee Report

COMPOSITION OF MEMBERS

Chairman

Mr. David William Berry
(Independent Non-Executive Director)
– Appointed as Chairman of Audit Committee on 30 June 2008.

Members

Y. Bhg. Datuk Azzat bin Kamaludin
(Non-Independent Non-Executive Director)

Encik Abd Malik bin A. Rahman
(Independent Non-Executive Director)
– Appointed on 1 June 2008

MEMBERSHIP

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

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

The Company complied with the said listing requirement during the financial year ended 31 December 2008.

PRIMARY PURPOSES

The Audit Committee (Committee) shall:

1. Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the company accounts and practices for the Company and its subsidiaries (Group).
2. Improve the Group's business efficiency, the quality of the accounting function, the system of internal controls and audit function and enhance the confidence of the public in the Group's reported results.
3. Maintain through regularly scheduled meetings, a direct line of communication between the Board, the external auditors and the internal auditors.
4. Enhance the independence of both the external and internal auditors' functions through active participation in the audit process.
5. Strengthen the role of the Independent Directors by giving them a greater depth of knowledge as to the operations of the Group through their participation in the Committee.
6. Act upon the Board of Directors' request to investigate and report on any issues or concerns with regard to the management of the Group.

AUTHORITY

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company:

1. Have authority to investigate any matter within its terms of reference;
2. Have the resources which are required to perform its duties;
3. Have full and unrestricted access to any information pertaining to the Company;
4. Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
5. Be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and

6. Be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

FUNCTIONS AND DUTIES

The functions of the Audit Committee are as follows:

1. In relation to the internal audit function:

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

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

2. In relation to the external audit function:

    a. To recommend the nomination of qualified person or persons as the external auditor;

    b. To review any letter of resignation from the external auditors of the Company and whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;

    c. To review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:

        (i) Any changes in or implementation of major accounting policy and practices;

        (ii) Significant adjustments arising from the audit;

        (iii) The going concern assumption; and

        (iv) Compliance with accounting standards and other legal requirements.

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

    e. To review with the external auditors, the audit plan, the scope of audit and the audit report;

    f. To review the assistance given by the employees of the Company to the external auditors;

    g. To review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;

    h. To provide an independent assessment of the adequacy and reliability of the risk assessment process;

    i. To review and assess the independence of the external auditor and the existence of any conflicts of interest which might compromise such independence;

    j. To review and assess the appropriateness of any other professional engagements given to the external auditor; and

    k. To review and assess the appropriateness and quantum of the fees charged or proposed to be charged by the external auditor to the Company and the Group.

Audit Committee Report

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

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

5. To review and evaluate the adequacy and effectiveness of the risk management and corporate governance systems instituted in the Company and the Group.

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

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

MEETINGS

Meetings

1. The Committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its deliberations and conclusions in discharging its duties and responsibilities.

2. The quorum of the meeting is two (2) and the majority of the members present must be Independent Directors.

3. Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the Directors or shareholders.

4. The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.

5. The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.

6. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

7. The Company must ensure that other Directors and employees attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

Procedures of Audit Committee

The Audit Committee may regulate its own procedures, in particular:

1. The calling of meetings;

2. The notice to be given of such meetings;

3. The voting and proceedings of such meetings;

4. The keeping of minutes; and

5. The custody, production and inspection of such minutes.

Secretary

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2008, the activities undertaken by the Committee included the following:

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

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

3. Reviewed and discussed with the external auditors on their scope of work, audit plan and procedures.

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

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

During the financial year ended 31 December 2008, there were five (5) Audit Committee meetings held. The details of attendance of the Committee members are as follows:

Name of Directors	Independent	Attendance of Meetings
Mr. David William Berry	Yes	5/5
Y. Bhg. Datuk Azzat bin Kamaludin	No	5/5
Encik Abd Malik bin A Rahman*	Yes	2/2

Note:

* Appointed on 1 June 2008

Corporate Governance

The Code

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

Set out below is the manner in which the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance (the Code). These principles and best practices have been applied and complied with throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

Composition of the Board

The Board currently has six (6) members, comprising two (2) Executive Directors and four (4) Non-Executive Directors. Three (3) of the Directors are Independent Directors, in compliance to the Code and the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) for one third of Directors to be independent. The balanced combination of qualifications, skills and experiences of the Board is important to ensure the successful direction of the Group.

A brief profile of each Director is presented on pages 23 to 26 of this Annual Report.

The Group practices a division of responsibility between the Chairman and the Group Managing Director and there is a balance of executive, non-executive and independent non-executive Directors. The roles of the Chairman and Group Managing Director are separate and clearly defined, and are held individually by two persons. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Group Managing Director has the overall responsibility for the day-to-day running of the business and implementation of the Board's decisions.

Y. Bhg. Tan Sri Dato' Che Lodin bin Wok Kamaruddin leads the Board as the Chairman of the Company.

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

In accordance with the requirement of the Code, Mr. David William Berry has been appointed as the Senior Independent Non-Executive Director to be available to deal with the concerns of various stakeholders in the Company.

The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders within the Group.

Board Responsibilities

The Board is responsible for the corporate governance practices of the Group. It guides and monitors the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group. The Board's key responsibilities reflect the recommendations prescribed by the Code. These include the review of the strategic direction for the Group and overseeing the business operations of the Group, evaluating whether these are being properly managed.

The responsibility for matters material to the Group is in the hands of the Board, with no individual having unfettered powers to make decisions. In performing their duties, the Board has access to the advice and services of the Company Secretaries and if necessary, may seek independent professional advice about the affairs of the Group. The Board has a formal schedule of matters reserved to itself for decision, including the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects and significant financial matters.

Board Meetings

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. All Directors are fully briefed in advance of Board meetings on the matters to be discussed and have access to any further information they may require. The Board may, whenever required, set up committees delegated with specific powers and responsibilities.

The Company Secretaries are responsible to ensure the Board meeting procedures are followed and that applicable rules and regulations are complied with.

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

The Board met for a total of four (4) times during the financial year ended 31 December 2008 and the attendance of each Director is as stated in the table below:

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Y. Bhg. Tan Sri Dato' Che Lodin bin Wok Kamaruddin*	Non-Independent Executive Chairman	No	4/4
Y. Bhg. Laksamana Madya Dato' Seri Ahmad Ramli bin Haji Mohd Nor (B)	Executive Deputy Chairman/ Group Managing Director	No	4/4
Y. Bhg. Datuk Azzat bin Kamaludin	Non-Independent Non-Executive Director	No	3/4
Mr. David William Berry	Independent Non-Executive Director	Yes	4/4
Encik Ishak bin Osman**	Independent Non-Executive Director	Yes	4/4
Encik Abd Malik bin A Rahman***	Independent Non-Executive Director	Yes	2/2

Notes:

* Re-designated from Non-Independent Non-Executive Chairman to Executive Chairman on 19 February 2009
** Re-designated from Non-Independent to Independent Director on 1 September 2008
*** Appointed on 1 June 2008

Information for the Board

The Board is provided with adequate reports in a timely manner prior to the Board meetings to enable the Directors to obtain further explanations, where necessary. These reports provide information on group performance and major operational, financial and corporate issues. Minutes of the Board Committees are also tabled at the Board meetings for information and deliberation.

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

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

Appointment and re-election of Directors

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment. The Articles further provide that at least one third of the remaining Directors shall be subject to re-election by rotation at each Annual General Meeting.

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

BOARD COMMITTEES

Audit Committee

The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee.

The report of the Audit Committee is set out on pages 32 to 35 of the Annual Report.

Nominating Committee

The Board has established a Nominating Committee consisting of the following non-executive Directors:

- Y. Bhg. Tan Sri Dato' Che Lodin bin Wok Kamaruddin
  (Resigned as Chairman of Nominating Committee on 19 February 2009)
- Y. Bhg. Datuk Azzat bin Kamaluddin – Chairman
  (Appointed as Chairman of Nominating Committee on 19 February 2009)
- Encik Abd Malik bin A Rahman
- Encik Ishak bin Osman

The functions of the Nominating Committee shall be to:

i) Recommend candidates for all directorships;

ii) Recommend appointments to the Board committees;

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

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

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

Upon appointment, each Director will receive information on the Group which include financial, corporate, business and regulatory information and their role. Information to the Board will be regularly updated through meetings or written circulars. The Board is encouraged to attend training courses at the Company's expense to enable the Directors to effectively discharge their duties.

All Directors of the Company have attended the Mandatory Accreditation Programme conducted by the Approved Organiser. The Directors will continue to undergo other relevant training programmes to further enhance their knowledge on a continuous basis in compliance with Practice Note No. 15/2003 of the Listing Requirements of Bursa Securities on the Continuing Education Programme.

Remuneration Committee

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

- Y. Bhg. Tan Sri Dato' Che Lodin Bin Wok Kamaruddin – Chairman
- Encik Ishak bin Osman
- Encik Abd Malik bin A Rahman

The terms of reference for the Committee are to:

i) Recommend to the Board the level of remuneration sufficient to attract and retain directors;

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

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

iv) Review the level of remuneration of senior executive management team.

Components of remuneration are structured so as to link rewards to corporate and individual performance, in the case of the Executive Director. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director.

A summary of the remuneration of the Directors for the financial year ended 31 December 2008, distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive band is as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Fees	36,000	165,000	201,000
Salary & Bonus	183,000	–	183,000
Employee Provident Fund Contribution	10,380	–	10,380
Meeting Allowance	5,000	23,000	28,000
Total	**234,380**	**188,000**	**422,380**

Directors' Remuneration

	Executive Directors	Non-Executive Directors	Total
RM0 – RM50,000	–	5	5
RM200,000 – RM250,000	1	–	1
Total	**1**	**5**	**6**

INVESTOR AND SHAREHOLDER RELATIONS

The Group recognises the importance of timely and thorough dissemination of information to shareholders. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities and the Malaysian Accounting Standards Board. The Annual Report has comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide investors with financial information.

The Annual General Meeting is the principal forum for dialogue with the shareholders. Notices of the Annual General Meeting and the Annual Reports are sent to shareholders at least twenty-one (21) days before the date of the Annual General Meeting.

At each Annual General Meeting, the Board encourages shareholders to participate in the question and answer session pertaining to the business activities of the Group. The Group Managing Director is available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any significant question, which cannot be readily answered. The Share Registrar is available to attend to matters relating to shareholders' interests.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.

Before the financial statements were drawn up, the Board has taken the necessary steps to ensure that the Group had adopted all the applicable accounting policies consistently, and that the policies are supported by reasonable and prudent judgements and estimates. All accounting standards, which the Board considers to be applicable, have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

The role of the Audit Committee in reviewing and reporting of the financial information of the Group is outlined in the Report of the Audit Committee in the Annual Report.

Relationship with the Auditors

The Board has established a formal and transparent relationship with the external auditors. The appointment of the external auditors is subject to the approval of shareholders at the Annual General Meeting whilst their remuneration is determined by the Board. The roles of both the external and internal auditors are further described in the Audit Committee Report.

Statement of Internal Control

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

Statement on Internal Control

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

The Board is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal controls of the Group during the year under review, in accordance to Paragraph 15.27(b) of the Listing Requirements of the Bursa Malaysia Securities Berhad.

RESPONSIBILITY

The Board affirms its overall responsibility for the Group's systems of internal controls and for reviewing the adequacy and effectiveness of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

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

INTERNAL CONTROL

Risk Management

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

The Board acknowledges that considerable effort and continued commitment is required to implement all aspects of risk management effectively across the Group. In this context, the Board has approved the formalisation of the Group's Risk Management Framework. The Framework will address these objectives:

1. Communicate the vision, role, direction and priorities to staff and other stakeholders;

2. Identify, assess and manage risks in an effective and efficient manner;

3. Improve decision making, planning and prioritisation based on a comprehensive understanding of the reward to risk balance; and

4. Enable systematic and prompt reporting on any perceived new risks or failures of existing control measures.

Control Structure

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

Whilst the Board maintains control and direction over appropriate strategic, financial, organisational and compliance issues, it has delegated the implementation of the system of internal controls to the executive management, led by the Group Managing Director.

The Group Managing Director is the principal channel of communication between the Board and the management. The Group Managing Director, who is empowered to manage the business of the Group, has primary operational responsibility for the system of internal controls.

Statement on Internal Control

The Group Managing Director has established several management committees to strengthen the risk management structure within the Group. The formation of these management committees allows the Group Managing Director, together with his senior management team; to continuously identify and manage principal risks effectively, to review the adequacy and integrity of internal controls and management information systems, and to develop appropriate business strategy and operating procedures and policies.

The senior management team is responsible for:

1. The conduct and performance of business units;

2. Identification and evaluation of significant risks applicable to their respective area of business together with the design and operation of suitable internal controls;

3. Ensuring that an effective system of internal controls is in place;

4. Meeting defined reporting deadlines and ensuring compliance with policies, procedures and regulatory requirements;

5. Submission, on a monthly basis, of management reports to the Group Managing Director; and

6. Submission, on a yearly basis, of budgets to be approved at the operating and Board level.

The monitoring and reviewing arrangements in place ensure timely and relevant two way communication of information, and the Board believes that this promotes a dynamic and effective control structure.

Organisational Structure

The Group has an existing organisational structure and authority limits at various management levels. The Group also has in place various support functions, which are centralised at Head Office. These comprise Secretarial, Legal, Human Resource, Finance (including Treasury) and Information Technology. These support functions maintain consistency in the setting and application of policies and procedures relating to these functions, and reduce duplication of efforts, thereby enabling synergy to the Group.

As the Group undergoes its transformation phase, the Group's processes, systems, internal controls and organisation structures are continuously refined to enhance the Group's ability to achieve its strategic and operational objectives and manage its significant risks.

Group Internal Audit

In 2008, the Group has fully reinstated the internal audit function. Its primary responsibility is to provide the Audit Committee with reasonable assurance that the Group's internal control system continues to operate adequately and effectively. The internal audit function adopts a risk-based audit approach in the review of the internal control activities of the respective operations and operating subsidiaries as well as the material associate of the Group based on an audit plan reviewed and approved by the Audit Committee. The internal audit function that performs review of the operations and business processes assesses the effectiveness of the systems of internal control and highlight significant risks impacting the Group with recommendation for improvements. During the year, the internal audit function has carried out independent and objective reviews in accordance with the approved audit plan and as requested by the top management (ad-hoc), covering financial, accounting, operational and compliance controls.

CONCLUSION

The effectiveness of the Group's system of internal controls will continue to be reviewed and updated by the Board through the Audit Committee in line with changes in the operating environment. The Board is of the view that the current system of internal controls is in place throughout the Group and sufficient to safeguard the Group's interests.

This statement is made in accordance with a resolution of the Board of Directors dated 17 February 2009.

Statement of Directors' Responsibility In Relation to the Financial Statements and Other Information

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

In preparing these financial statements, the Directors have:

1. Adopted suitable accounting policies and applying them consistently;

2. Made judgements and estimates that are prudent and reasonable;

3. Ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

4. Prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Additional Compliance Information

SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors and management by any regulatory bodies during the financial year ended 31 December 2008.

REVALUATION POLICY ON LANDED PROPERTIES

The Group's landed properties classified under property, plant and equipment and prepaid land lease payments are not revalued, but are reviewed at each balance sheet date to determine if there is any indication of impairment. These landed properties are stated at cost less accumulated depreciation and impairment. For landed properties classified as investment properties, the Group assesses the fair value at the end of each financial year and the change in fair value is taken as gains or losses in the income statements.

NON-AUDIT FEES

There is no non-audit fees paid to the external auditors by the Group and by the Company for the financial year.

SHARE BUY-BACKS

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

OPTIONS AND WARRANTS

No options and warrants were exercised during the financial year.

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

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

VARIATION IN RESULTS

There was no material variation between the audited results for the financial year ended 31 December 2008 and the unaudited results previously released for the financial quarter ended 31 December 2008.

PROFIT GUARANTEE

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

MATERIAL CONTRACTS

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

RECURRENT RELATED PARTY TRANSACTIONS

At the Annual general Meeting held on 2 April 2008, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 4.1.5 of Practice Note No. 12/2001 of the Bursa Malaysia Securities Berhad Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2008 pursuant to the Shareholders' Mandate are disclosed as follows:

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transactions	Value of Transactions RM'000
Boustead Naval Shipyard Sdn. Bhd.	Tan Sri Dato' Che Lodin bin Wok Kamaruddin Dato' Seri Ahmad Ramli bin Haji Mohd Nor Datuk Azzat bin Kamaludin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Equipment rental by Boustead Penang Shipyard (BP Shipyard)	28
		Work subcontracted to BP Shipyard	197,459
		Work subcontracted to Atlas Defence Technology Sdn. Bhd.	326
		Purchases of equipments & machinery from Dominion Defence & Industries Sdn. Bhd.	11,364
		Work subcontracted to Naval And Defence Communication System Sdn. Bhd.	330
		Supply and servicing of Bofors Weapon System to BHIC Bofors Asia Sdn. Bhd.	1,228
		Work subcontracted to BHIC Bofors Asia Sdn. Bhd.	2,021
Boustead Holdings Berhad	Datuk Azzat bin Kamaludin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Provision of training services to BHIC Group	138
Boustead Advertising Sdn. Bhd.	Tan Sri Dato' Che Lodin bin Wok Kamaruddin Datuk Azzat bin Kamaludin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Provision of advertising services to BHIC Group	43

Additional Compliance Information

Related Party	Interested Director/ Interested Major Shareholder	Nature of Transactions	Value of Transactions RM'000
Boustead Shipping Agencies Sdn. Bhd.	Tan Sri Dato' Che Lodin bin Wok Kamaruddin Datuk Azzat bin Kamaludin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Provision of shipping services to BHIC Group	32
Boustead Engineering Sdn. Bhd.	Tan Sri Dato' Che Lodin bin Wok Kamaruddin Datuk Azzat bin Kamaludin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Provision of engineering services to BHIC Petroleum Sdn. Bhd.	2,355
Boustead Global Trade Network Sdn. Bhd.	Tan Sri Dato' Che Lodin bin Wok Kamaruddin Datuk Azzat bin Kamaludin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Provision of warehousing services to BHIC Group	2
Boustead Realty Sdn. Bhd.	Tan Sri Dato' Che Lodin bin Wok Kamaruddin Datuk Azzat bin Kamaludin Boustead Holdings Berhad Lembaga Tabung Angkatan Tentera	Office rental paid to Boustead Realty Sdn. Bhd.	283
Messrs Azzat & Izzat	Datuk Azzat bin Kamaludin	Provision of legal services to BHIC Group	29

Financial Statements

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 17 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	116,978	12,848
Attributable to:		
Equity holders of the Company	115,120	12,848
Minority interests	1,858	–
	116,978	12,848

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.

DIVIDENDS

A final tax exempt dividend of 1.5 sen (2006: Nil) in respect of the financial year ended 31 December 2007 amounting to RM3.73 million was paid on 12 May 2008.

At the forthcoming Annual General Meeting, a single tier final dividend in respect of the financial year ended 31 December 2008, of 5.5% on 248,457,614 ordinary shares, amounting to a dividend payable of RM13,665,169 will be proposed for shareholders' approval. The financial statements for the current financal year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2009.

DIRECTORS

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

Tan Sri Dato' Che Lodin Bin Wok Kamaruddin
Laksamana Madya Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (R)
Datuk Azzat Bin Kamaludin
David William Berry
Ishak Bin Osman
Abd Malik Bin A Rahman (appointed on 1 June 2008)

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 8 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 40 to the financial statements.

DIRECTORS' INTEREST

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

	← Number of ordinary shares of RM1.00 each →			
	1.1.2008	**Bought**	**Sold**	**31.12.2008**
The Company				
Direct interest:				
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	**2,000,000**	**–**	**–**	**2,000,000**
Laksamana Madya Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (R)	**2,002,100**	**–**	**–**	**2,002,100**
Datuk Azzat Bin Kamaludin	**515,300**	**–**	**–**	**515,300**
Ishak Bin Osman	**30,000**	**–**	**(20,000)**	**10,000**
Indirect interest:				
Laksamana Madya Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (R)	**11,200**	**–**	**–**	**11,200**
Ishak Bin Osman	**15,020**	**–**	**(15,000)**	**20**

DIRECTORS' INTEREST (CONT'D)

	← Number of ordinary shares of RM0.50 each →			
	1.1.2008	Bought	Sold	31.12.2008
Related corporations				
Boustead Holdings Berhad				
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	21,695,000	–	(1,879,000)	19,816,000
Datuk Azzat Bin Kamaludin	–	10,000	–	10,000

	← Number of ordinary shares of RM1.00 each →			
	1.1.2008	Bought	Sold	31.12.2008
Related corporations				
Boustead Properties Berhad				
Datuk Azzat Bin Kamaludin	5,000	–	(5,000)	–
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	5,466,465	–	–	5,466,465
Al-Hadharah Boustead REIT				
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	200,000	–	–	200,000
Affin Holdings Berhad				
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	8,714	800,000	–	808,714
Datuk Azzat Bin Kamaludin	110,000	–	–	110,000
Affin Holdings Berhad - Warrant (W3)				
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	1,500	–	–	1,500

	← Number of options over ordinary shares of RM0.50 each →			
	1.1.2008	Granted	Exercised	31.12.2008
Related corporation				
Boustead Holdings Berhad				
Tan Sri Dato' Che Lodin Bin Wok Kamaruddin*	5,912,699	–	(5,912,699)	–

* Tan Sri Dato' Che Lodin bin Wok Kamaruddin had on 22 February 2007 signed an agreement with Lembaga Tabung Angkatan Tentera (LTAT) to purchase 29,912,699 Boustead Holdings Berhad shares (Boustead Shares) which are part of the shares approved by LTAT's Investment Panel on 14 June 2004 and the Board of Directors of LTAT on 28 June 2004 to be sold via placement at the price of RM1.70 per share. Accordingly, Tan Sri Dato' Lodin Bin Wok Kamaruddin purchased 24,000,000 Boustead Shares in the prior year and exercised the right to purchase the balance of 5,912,699 in the current financial year. The agreement expired on 14 November 2008.

None of the other directors in office at the end of the financial year had any interest in the Company or its related corporations during the financial year.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid up capital of the Company during the financial year. There were no debentures issued during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts 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) the directors are not aware of any other circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

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

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

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

   (ii) the results of the operations of the Group and the Company for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SUBSEQUENT EVENT

Details of a subsequent event is disclosed in Note 34 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 2 March 2009.

LAKSAMANA MADYA DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR (R)

DATUK AZZAT BIN KAMALUDIN

Statement by Directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Laksamana Madya Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (R) and Datuk Azzat Bin Kamaludin, 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 56 to 110 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 2008 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 2 March 2009.

LAKSAMANA MADYA DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR (R)

DATUK AZZAT BIN KAMALUDIN

Statutory Declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Peramjeet Singh a/l Gian Singh, 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 56 to 110 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 Peramjeet Singh a/l Gian Singh
at Kuala Lumpur in the Federal Territory
on 2 March 2009.

PERAMJEET SINGH A/L GIAN SINGH

Before me,

R. VASUGI AMMAL
(No. W480)
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the members of Boustead Heavy Industries Corporation Berhad

Report on the financial statements

We have audited the financial statements of Boustead Heavy Industries Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 110.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

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

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

(b) We have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, that is indicated in Note 17 to the financial statements.

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

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

Other matters

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

AHMAD ZAHIRUDIN BIN ABDUL RAHIM
No. 2607/12/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia
2 March 2009

Income Statements

For the year ended 31 December 2008

		Group		Company	
	Note	**2008 RM'000**	2007 RM'000	**2008 RM'000**	2007 RM'000
Revenue	5	**496,259**	117,153	**14,965**	821
Operating (costs)/income	6	**(407,888)**	(93,102)	**(1,724)**	98,198
Results from operations		**88,371**	24,051	**13,241**	99,019
Interest income		**1,464**	1,179	**–**	–
Other investment income	9	**–**	941	**–**	–
Finance costs	10	**(177)**	(723)	**–**	–
Share of profit in associates	18	**45,023**	56,623	**–**	–
		134,681	82,071	**13,241**	99,019
Waiver by financial institutions pursuant to Restructuring Scheme	35	**–**	392,819	**–**	203,993
Profit before taxation		**134,681**	474,890	**13,241**	303,012
Income tax (expense)/benefit	11	**(17,703)**	11,427	**(393)**	–
Profit for the year		**116,978**	486,317	**12,848**	303,012
Attributable to:					
Equity holders of the Company		**115,120**	485,469	**12,848**	303,012
Minority interests		**1,858**	848	**–**	–
Profit for the year		**116,978**	486,317	**12,848**	303,012
Earnings per share attributable to equity holders of the Company (sen):					
Basic, for profit for the year	12	**46.33**	324.19		
Basic, for profit excluding waiver by financial institutions pursuant to Restructuring Scheme	12	**46.33**	61.87		

The accompanying notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Assets					
Non-current assets					
Property, plant and equipment	14	**48,479**	37,446	**–**	–
Prepaid land lease payments	15	**12,381**	12,562	**–**	–
Deferred tax assets	32	**–**	13,000	**–**	–
Investment properties	16	**–**	6,500	**–**	–
Investments in subsidiaries	17	**–**	–	**168,685**	168,685
Investments in associates	18	**155,226**	110,203	**–**	–
Other investments	19	**9**	16	**–**	–
		216,095	179,727	**168,685**	168,685
Current assets					
Inventories	20	**462**	702	**–**	–
Trade and other receivables	21	**153,440**	53,925	**121,726**	110,375
Tax recoverable		**–**	–	**–**	160
Cash and bank balances	23	**94,920**	106,713	**215**	576
		248,822	161,340	**121,941**	111,111
Non-current assets held for sale	24	**–**	–	**–**	–
		248,822	161,340	**121,941**	111,111
Total assets		**464,917**	341,067	**290,626**	279,796

Balance Sheets
As at 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	25	**248,458**	248,458	**248,458**	248,458
Non-distributable other reserves	26	**(8,191)**	(8,442)	**–**	–
Retained earnings/(accumulated losses)	27	**80,005**	(31,388)	**15,079**	5,958
Total shareholders' funds		**320,272**	208,628	**263,537**	254,416
Minority interests		**7,554**	5,524	**–**	–
Total equity		**327,826**	214,152	**263,537**	254,416
Non-current liabilities					
Borrowings	29	**187**	236	**–**	–
Deferred tax liabilities	32	**528**	1,048	**–**	–
		715	1,284	**–**	–
Current liabilities					
Provisions	28	**3,915**	6,926	**201**	130
Borrowings	29	**5,094**	149	**–**	–
Trade and other payables	33	**121,881**	114,921	**26,785**	25,250
Tax payable		**5,486**	3,635	**103**	–
		136,376	125,631	**27,089**	25,380
Total liabilities		**137,091**	126,915	**27,089**	25,380
Total equity and liabilities		**464,917**	341,067	**290,626**	279,796

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Note	Share capital RM'000	Non-distributable other reserves RM'000	(Non-distributable accumulated losses)/ distributable retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
		← Attributable to Equity Holders of the Company →					
At 1 January 2007		174,083	61,722	(726,366)	(490,561)	6,074	(484,487)
Foreign currency translation							
– Group	26	–	79	–	79	53	132
Capital reduction	25	(139,266)	–	139,266	–	–	–
Issuance pursuant to debts settlement	25	144,008	–	–	144,008	–	144,008
Rights issue 2:1	25	69,633	–	–	69,633	–	69,633
Share premium cancelled	26	–	(70,243)	70,243	–	–	–
Dilution in equity interest		–	–	–	–	(1,451)	(1,451)
Net expense recognised directly in equity		74,375	(70,164)	209,509	213,720	(1,398)	212,322
Profit for the year		–	–	485,469	485,469	848	486,317
At 31 December 2007		248,458	(8,442)	(31,388)	208,628	5,524	214,152
At 1 January 2008		**248,458**	**(8,442)**	**(31,388)**	**208,628**	**5,524**	**214,152**
Foreign currency translation							
– Group	26	–	251	–	251	172	423
Dividend							
– Final for the previous year	13	–	–	(3,727)	(3,727)	–	(3,727)
Net expense recognised directly in equity		–	251	(3,727)	(3,476)	172	(3,304)
Profit for the year		–	–	115,120	115,120	1,858	116,978
At 31 December 2008		**248,458**	**(8,191)**	**80,005**	**320,272**	**7,554**	**327,826**

The accompanying notes form an integral part of the financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2008

	Note	Share capital RM'000	Non-distributable share premium RM'000	(Non-distributable accumulated losses)/ distributable retained earnings RM'000	Total equity RM'000
		← Attributable to equity holders of the Company →			
At 1 January 2007		174,083	70,243	(506,563)	(262,237)
Capital reduction	25	(139,266)	–	139,266	–
Issuance pursuant to debts settlement	25	144,008	–	–	144,008
Rights issue 2:1	25	69,633	–	–	69,633
Share premium cancelled	26	–	(70,243)	70,243	–
Net expense recognised directly in equity		74,375	(70,243)	209,509	213,641
Profit for the year		–	–	303,012	303,012
At 31 December 2007		248,458	–	5,958	254,416
Dividend					
– Final for the previous year	13	–	–	(3,727)	(3,727)
Profit for the year		–	–	12,848	12,848
At 31 December 2008		**248,458**	**–**	**15,079**	**263,537**

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For the year ended 31 December 2008

	Note	Group		Company	
		2008	2007	**2008**	2007
		RM'000	RM'000 Restated	**RM'000**	RM'000
Cash flows from operating activities					
Cash receipts from customers		**411,555**	156,575	**–**	–
Cash paid to suppliers and employees		**(408,439)**	(94,824)	**(5,441)**	(6,027)
Receipt from/(payment to) within the group		**7**	105	**8,793**	(63,878)
Net cash generated from/(used in) operations		**3,123**	61,856	**3,352**	(69,905)
Interest paid		**(177)**	(174)	**–**	–
Income taxes paid		**(2,738)**	(1,542)	**–**	–
Net cash generated from/(used in) operating activities		**208**	60,140	**3,352**	(69,905)
Cash flows from investing activities					
Interest received		**1,464**	1,762	**14**	822
Proceeds from disposal of property, plant and equipment		**110**	322	**–**	–
Purchase of property, plant and equipment		**(14,681)**	(4,315)	**–**	–
Additional investment in subsidiary		**–**	(500)	**–**	–
Net cash (used in)/generated from investing activities		**(13,107)**	(2,731)	**14**	822

Cash Flow Statements
For the year ended 31 December 2008

		Group		Company	
	Note	**2008 RM'000**	2007 RM'000 Restated	**2008 RM'000**	2007 RM'000
Cash flows from financing activities					
Repayment of borrowings		**(233)**	(191)	**–**	–
Proceeds from revolving credit		**5,000**	–	**–**	–
Proceeds from rights issue	25	**–**	69,633	**–**	69,633
Dividends paid		**(3,727)**	–	**(3,727)**	–
Net cash generated from/(used in) financing activities		**1,040**	69,442	**(3,727)**	69,633
Net (decrease)/increase in cash and cash equivalents		**(11,859)**	126,851	**(361)**	550
Effect of foreign exchange rate changes		**66**	(277)	**–**	–
Cash and cash equivalents at beginning of year		**106,713**	(19,861)	**576**	26
Cash and cash equivalents at end of year		**94,920**	106,713	**215**	576
Cash and cash equivalents at end of year comprise:					
Deposits with licensed banks	23	**54,477**	93,259	**–**	–
Cash and bank balances	23	**40,443**	13,454	**215**	576
		94,920	106,713	**215**	576

As disclosed in Note 23 to the financial statements, certain fixed deposits totalling RM1.5 million (2007: RM2.7 million) have been pledged to banks for banking facilities granted to certain subsidiaries and hence, are not available for general use.

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

		Group		Company	
	Note	**2008 RM'000**	2007 RM'000	**2008 RM'000**	2007 RM'000
Cash		**14,681**	4,315	**–**	–
Hire purchase		**140**	180	**–**	–
Total additions during the year	14	**14,821**	4,495	–	–

The accompanying notes form an integral part of the financial statements.

Accounting Policies

(a) BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

At the beginning of the financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 July 2007 as fully described in Note 3 to the financial statements.

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

(b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries made up to the balance sheet date. Subsidiaries are companies in which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity. Details of subsidiaries are given in Note 17 to the financial statements.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting date as the Company, and uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances. All inter-company balances and transactions, including unrealised profits or losses arising from them, are eliminated.

Acquisitions of subsidiaries are accounted for using the purchase method. At the date of acquisition, the fair values of the subsidiaries' assets acquired, liabilities and contingent liabilities assumed are determined and these values are reflected in the consolidated financial statements. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. The excess of the acquisition cost over the Group's interest in these fair values is reflected as goodwill. The accounting policy for goodwill is in Note (r). The excess of the Group's interest in these fair values over the acquisition cost represents negative goodwill, which is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheets, separately from parent shareholders' equity. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then. Acquisition of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the shares of net assets acquired is recognised as goodwill.

Where losses applicable to the minority interests exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(c) ASSOCIATES

An associate is defined as a company, not being a subsidiary or an interest in a joint venture, in which the Group has a long term equity interest of not less than 20% and in whose financial and operating decisions the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies. Details of associates are given in Note 18 to the financial statements.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in an associate is carried in the consolidated balance sheets at cost plus post acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of individual investments. The consolidated income statements reflects the Group's share of the associate's results after tax. Where there has been a change recognised directly in the equity of an associate, the Group recognises its share of such changes. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. When the Group's share of losses exceeds its interest in an associate, the Group does not recognise further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in an associate. Associates are equity accounted from the date the Group obtains significant influence until the date the Group ceases to have significant influence.

Any goodwill arising on the acquisition of an associate, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate and is not amortised. To the extent that the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the associate's profit or loss in the period in which the investment is acquired.

The most recent available financial statements of associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies used to be in line with those of the Group.

(d) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

In the Company's separate financial statements, investments in subsidiaries and associates are stated at cost less impairment losses, if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

(e) CURRENCY CONVERSION

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company. All transactions are recorded in Ringgit Malaysia.

(e) CURENCY CONVERSION (CONT'D.)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or individual financial statements of the foreign operation, as appropriate.

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

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the exchange rates ruling at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary before 1 January 2006 are deemed to be the assets and liabilities of the parent company and are recorded in RM at the exchange rates ruling at the date of the acquisition.

(f) PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION

All property, plant and equipment are initially stated 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 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 statement during the financial period in which they are incurred.

(f) PROPERTY, PLANT AND EQUIPMENT, AND DEPRECIATION (CONT'D.)

Capital work in progress consist 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.

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

Buildings, jetties, slipways and roads	3% – 10%
Plant and machinery	5% – 20%
Equipment, fittings, renovation and others	7% – 50%
Barges and motor vehicles	5% – 25%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement.

(g) INVESTMENT PROPERTIES

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Such properties are measured initially at cost, including transaction costs, and thereafter are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected thereafter. Any difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss in the year in which it arises.

(h) CONSTRUCTION CONTRACTS

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

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

(h) CONSTRUCTION CONTRACTS (CONT'D.)

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

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

(i) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific revenue recognition criteria must also be met before revenue is recognised:

(i) Contract revenue and profit on long term construction contracts are accounted for under the accounting policy disclosed in Note (h).

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

(iii) Rental income from an investment property is recognised on a straight-line basis over the term of the lease.

(iv) Dividend income is recognised in the income statement as and when declared or right to receive payment is established.

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

(j) INCOME TAX

Income tax on the 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 financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which they can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as an income or an expense and included in the profit or loss for the period.

(k) EMPLOYEE BENEFITS

Short term benefits such as wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. 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 Company and its Malaysian subsidiaries make contributions to the Employees Provident Fund. The Group's foreign subsidiary makes contributions to its country's statutory pension scheme. Such contributions are expensed in the income statement as and when incurred. Termination benefits paid or payable on termination of employment is 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.

(l) INVENTORIES

Inventories are stated at the lower of cost and net realisable value, cost being principally determined on a first-in, first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) FINANCIAL INSTRUMENTS

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends as well as gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has an enforceable legal right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously. The Group does not have any off-balance sheet financial instruments other than as disclosed in Note 2(e).

(i) Cash and cash equivalents

For the purpose of cash flow statements, cash and cash equivalents include deposits, cash and bank balances and fixed deposits pledged which are subject to an insignificant risk of changes in value.

(ii) Other non-current investments

Non-current investments other than investments in subsidiaries, associates and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss. Impairment losses are recognised for all declines in the value of the investment other than temporary declines and are recognised as an expense in the period in which such decline occurred.

(m) FINANCIAL INSTRUMENTS (CONT'D.)

(iii) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Liabilities for trade and other payables are carried at the fair value of the consideration to be paid in the future for goods and services received, whether billed or unbilled.

(v) Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received. Costs incurred on external borrowings to finance long term qualifying assets are capitalised until the assets are ready for their intended use, after which such expenses are charged to the income statement. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period that they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributed to equity transactions which would otherwise have been avoided.

(n) IMPAIRMENT FOR NON-FINANCIAL ASSETS

The carrying amounts of assets, other than investment properties, construction contracts assets, inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Where there is an indication of impairment, the recoverable amount of the asset or cash generating unit (CGU) is estimated to determine the amount of impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, 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.

If the recoverable amount of an asset or cash-generating unit (CGU) is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Reversal of impairment loss recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset or CGU that would have been determined (net of amortisation and depreciation), had no impairment loss been recognised. Reversal of impairment loss is recognised as an income immediately in the income statement.

(o) LEASES

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment which represents prepaid lease payments are amortised on a straight-line basis over the lease term.

Leasehold land is amortised in equal instalments over the period of the respective leases that range from 25 to 99 years.

(p) SEGMENTAL REPORTING

The primary reporting segment information is in respect of business segments as the Group's risk and return are affected predominantly by the differences in the products and services it produces. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that serves different markets.

Transactions between segments are carried out in the normal course of business and at standard commercial terms mutually agreed between the parties.

(q) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as being held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of carrying amount and fair value less costs to sell when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to the terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable Financial Reporting Standards. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

(r) GOODWILL

After initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised, but instead, it is reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

(s) PROVISIONS

Provisions are recognised when the Group and the Company have present obligations as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Notes to the Financial Statements

31 December 2008

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 17.

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

The immediate holding company is Boustead Holdings Berhad, a public company incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities. 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 Boustead Holdings Berhad group of companies.

Affiliates are companies with common directors.

The financial statements of the Group and the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 2 March 2009.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, including interest rate, credit, 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. Derivative financial instruments are not recognised in the financial statements.

(a) Interest Rate Risk

The Group finances its operations through operating cash flows and borrowings. The Group's policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities.

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk as at balance sheet date:

Group	Note	WAEIR %	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Total RM'000
At 31 December 2008						
Floating rate						
Revolving credit	29	5.5% – 5.6%	(5,000)	–	–	(5,000)
Hire purchase and finance lease liabilities	31	2.3% – 5.5%	(94)	(187)	–	(281)
Cash and bank balances	23	0.1% – 4.0%	54,477	–	–	54,477

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

(a) Interest Rate Risk (cont'd.)

Group (cont'd.)	Note	WAEIR %	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Total RM'000
At 31 December 2007						
Floating rate						
Term loans	29	6.9% – 7.7%	(46)	–	–	(46)
Hire purchase and finance lease liabilities	31	2.3% – 5.5%	(103)	(236)	–	(339)
Cash and bank balances	23	2.0% – 3.9%	93,259	–	–	93,259

(b) Liquidity and cash flow risks

The Group practises prudent liquidity risk management by maintaining an adequate amount of committed credit facilities.

(c) Credit risks

The Group seeks to invest cash assets safely and profitably. The Group also seeks to control credit risk by setting counterparty limits, obtaining bank guarantees where appropriate; and ensuring that sale of products and services are made to customers with an appropriate credit history, and monitoring customers' financial standing through periodic review and credit checks at point of sales. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

At 31 December 2008, the maximum exposure to credit risk for the Group is the carrying amount of each financial asset.

(d) Fair values

The carrying amounts of deposits, cash and bank balances, receivables and payables (excluding non-trade amounts due to/from group companies) and short term borrowings approximate their fair values due to the relatively short term maturity of these financial instruments.

The fair values of the non-current quoted investments are represented by their market values as disclosed in Note 19.

It is not practical to estimate the fair values of the non-current unquoted investments of the Group because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs.

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

(e) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia ("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 US Dollar, Euro, Australian Dollar, Singapore Dollar, Pound Sterling and Ghanaian Cedi. 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 currencies are as follows:

Group	Cash and bank balances RM'000	Trade and other receivables RM'000	Trade and other payables RM'000	Total RM'000
At 31 December 2008				
US Dollar	**31,951**	**15,373**	**(815)**	**46,509**
Euro	**–**	**2,251**	**(603)**	**1,648**
Singapore Dollar	**–**	**–**	**(915)**	**(915)**
Australian Dollar	**–**	**–**	**(76)**	**(76)**
	31,951	**17,624**	**(2,409)**	**47,166**
At 31 December 2007				
US Dollar	45,595	6,013	(27)	51,581
Euro	–	–	(1,770)	(1,770)
Pound Sterling	–	921	–	921
	45,595	6,934	(1,797)	50,732

During the financial year, the Group entered into foreign currency forward contracts to manage exposures to the currency risk for receivables which are denominated in a currency other than the functional currency of the Group. The notional/nominal amount of the financial instrument not recognised in the balance sheet of the Group as at the end of the financial year and its net fair value are as follows:

Group	Expiry dates	Contracted amount in USD'000	Within 1 year RM'000	Net fair value RM'000
At 31 December 2008				
Forwards used to hedge anticipated	23 March 2009	**6,460**	**21,964**	**(44)**
trade receivables	30 January 2009	**500**	**1,630**	**(72)**
		6,960	**23,594**	**(116)**

3. CHANGES IN ACCOUNTING POLICIES, EFFECTS ARISING FROM THE ADOPTION OF NEW AND REVISED FRSs

On 1 January 2008, the Group and the Company adopted the following revised FRSs, amendment to FRS and Interpretations:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach Under FRS 129_{2004} – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The revised FRS, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and the Company.

At the date of authorisation of these financial statements, the following new FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendments to FRS and Interpretations		Effective for financial periods beginning on or after
FRS 4	– Insurance Contracts	1 January 2010
FRS 7	– Financial Instruments: Disclosures	1 January 2010
FRS 8	– Operating Segments	1 July 2009
FRS 139	– Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	– Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	– Interim financial reporting and impairment	1 January 2010

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

The other new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions 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 as follows:

(i) Useful lives of property, plant and equipment

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

(ii) Heavy engineering

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

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract projects. In making these judgement, the Group evaluates by relying on past experience and the work of internal specialists.

(iii) Income taxes

Significant estimation is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances 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.

5. REVENUE

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Construction contracts	**346,677**	92,441	**–**	–
Rendering of services	**137,700**	14,211	**–**	–
Sale of goods	**11,867**	8,186	**–**	–
Dividend income	**–**	–	**14,950**	–
Interest income	**15**	750	**15**	821
Rental income	**–**	1,565	**–**	–
	496,259	117,153	**14,965**	821

6. OPERATING COSTS/(INCOME)

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Raw materials and consumables	**37,149**	21,369	**–**	–
Construction contract costs (Note 22)	**298,278**	48,617	**–**	–
Employee benefits expense (Note 7)	**53,106**	18,430	**937**	277
Non-executive directors' remuneration (Note 8)	**188**	164	**188**	121
Depreciation of property, plant and equipment (Note 14)	**1,048**	1,121	**–**	–
Amortisation of prepaid lease payments (Note 15)	**181**	181	**–**	–
Gain on disposal of property, plant and equipment	**(67)**	(77)	**–**	–
Property, plant and equipment written off	**46**	33	**–**	–
Other operating costs/(income)	**17,959**	3,264	**599**	(98,596)
	407,888	93,102	**1,724**	(98,198)

6. OPERATING COSTS/(INCOME) (CONT'D.)

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Other operating costs/(income) include:				
Auditors' remuneration:				
Statutory audit				
– current year	**345**	266	**60**	35
– underprovision in prior year	**128**	84	**85**	25
Bad debts written off	**–**	305	**–**	–
Deposit written off	**6**	4	**–**	–
Inventories written down	**305**	–	**–**	–
Net loss on foreign exchange:				
– realised	**1,603**	4,654	**–**	–
– unrealised	**901**	351	**–**	–
Operating leases:				
– minimum lease payments for land and buildings	**852**	687	**–**	–
– minimum lease payments for plant and equipment	**583**	319	**–**	–
Net provision for/(write back of) doubtful debts:				
– subsidiaries	**–**	–	**–**	(99,325)
– third parties	**2,070**	1,431	**–**	–
Provisions for:				
– liquidated ascertain damages, directors' fee and warranty cost (Note 28)	**3,619**	278	**201**	130
Rental income from:				
– investment properties	**(120)**	(120)	**–**	–
– scaffolding	**(28)**	(62)	**–**	–
– yard	**(767)**	(1,208)	**–**	–
Reversal of write-down of inventories (Note 20)	**–**	(520)	**–**	–
Impairment loss on other investment	**8**	–	**–**	–
Write back of accrual	**(1,036)**	–	**–**	–
Debt waiver by creditors	**–**	(1,299)	**–**	–

7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Wages and salaries	**38,396**	12,593	**742**	241
Social security contribution	**877**	71	**6**	1
Defined contribution plan	**4,420**	1,200	**95**	27
Others	**9,413**	4,566	**94**	8
	53,106	18,430	**937**	277

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM234,000 (2007: RM28,000) and RM41,000 (2007: RM28,000), respectively as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

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

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Executive directors' remuneration (Note 7):				
Fees	**36**	24	**36**	24
Salary	**132**	–	**–**	–
Allowances	**5**	4	**5**	4
Bonus	**51**	–	**–**	–
EPF	**10**	–	**–**	–
	234	28	**41**	28
Non-executive directors' remuneration (Note 6):				
Fees	**165**	150	**165**	106
Allowances	**23**	14	**23**	15
	188	164	**188**	121
Total directors' remuneration (Note 40(b))	**422**	192	**229**	149

8. DIRECTORS' REMUNERATION (CONT'D.)

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

	Number of directors	
	2008	2007
Executive directors:		
RM0 – RM50,000	**–**	1
RM200,001 - RM250,000	**1**	–
Non-executive directors:		
RM0 – RM50,000	**5**	4
RM50,001 – RM100,000	**–**	1

9. OTHER INVESTMENT INCOME/(LOSS)

	Group	
	2008	2007
	RM'000	RM'000
Gain on disposal of a subsidiary	**–**	1
Diminution of other investments	**–**	(10)
Negative goodwill	**–**	950
	–	941

10. FINANCE COSTS

	Group	
	2008	2007
	RM'000	RM'000
Interest expense on:		
Term loans	**4**	104
Overdraft	**–**	5
Hire purchase and finance lease liabilities	**13**	395
Advances from associate	**–**	169
Bankers' acceptances	**25**	50
Revolving credit	**87**	–
Others	**48**	–
	177	723

11. INCOME TAX EXPENSE/(BENEFIT)

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Current income tax:				
Malaysian income tax	**1,817**	962	**–**	–
Foreign tax	**656**	271	**–**	–
	2,473	1,233	**–**	–
Underprovision in prior years:				
Malaysian income tax	**2,572**	81	**393**	–
	5,045	1,314	**393**	–
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	**12,658**	(12,741)	**–**	–
Total income tax expense/(benefit)	**17,703**	(11,427)	**393**	–

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

Certain subsidiaries of the Company qualify for the reduced statutory tax rate of 20% on the first RM500,000 (2007: RM500,000) of estimated assessable profit during the financial year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rate applicable to a subsidiary in Ghana was 25% (2007: 25%).

11. INCOME TAX EXPENSE/(BENEFIT) (CONT'D.)

A reconciliation of income tax expense/(benefit) applicable to profit before taxation at the statutory income tax rate to income tax expense/(benefit) at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Profit before taxation	**134,681**	474,890	**13,241**	303,012
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	**35,017**	128,220	**3,443**	81,813
Different tax rates in another country	**(13)**	(35)	**–**	–
Effect of change in tax rates on opening balance of deferred tax	**(141)**	500	**–**	–
Effect of reduced statutory tax rate on the first RM500,000 (2007: RM500,000) assessable profits	**(81)**	(100)	**–**	–
Expenses not deductible for tax purposes	**2,198**	1,302	**448**	210
Income not subject to tax	**(229)**	(106,412)	**(3,891)**	(81,947)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(10,705)**	(7,782)	**–**	(76)
Share of results in associates	**(11,706)**	(15,288)	**–**	–
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	**1,106**	1,587	**–**	–
Deferred tax assets recognised	**(315)**	(13,500)	**–**	–
Underprovision of tax expense in prior years	**2,572**	81	**393**	–
Income tax expense/(benefit)	**17,703**	(11,427)	**393**	–

12. EARNINGS PER SHARE

Basic earnings per share amount is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by weighted average number of ordinary shares in issue during the financial year:

	Group	
	2008	2007
	RM'000	RM'000
Profit for the year attributable to ordinary equity holders of the Company	**115,120**	485,469
Profit for the year before waiver by financial institutions pursuant to Restructuring Scheme (Note 35)	**115,120**	92,650

	'000	**'000**
Weighted average number of ordinary shares in issue	**248,458**	149,749

	sen	**sen**
Basic earnings per share for:		
Profit from operations attributable to ordinary equity holders of the Company	**46.33**	324.19
Profit for the year before waiver by financial institutions pursuant to Restructuring Scheme attributable to equity holders of the Company	**46.33**	61.87

13. DIVIDEND

	Dividend amount		Gross dividend per ordinary share	
	2008	2007	**2008**	2007
	RM'000	RM'000	**sen**	sen
In respect of financial year 2007:				
Final dividend of 1.5% less tax payable on 12 May 2008	**3,727**	–	**1.50**	–

The Directors will propose at the forthcoming Annual General Meeting to be held on 31 March 2009, a single tier final dividend of 5.5% per share amounting to RM13,665,169. These financial statements do not reflect the final dividend which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2009 when approved by shareholders.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, vehicles and others RM'000	Capital work in progress RM'000	Total RM'000
Cost					
At 1 January 2007	91,840	10,354	21,594	1,123	124,911
Additions	1,022	852	1,729	892	4,495
Disposals	–	–	(395)	–	(395)
Written off	–	–	(285)	–	(285)
Reclassification	3,521	(3,350)	–	(171)	–
At 31 December 2007/ 1 January 2008	96,383	7,856	22,643	1,844	128,726
Additions	1,076	2,027	7,516	4,202	14,821
Disposals	–	(119)	(357)	–	(476)
Written off	(45)	–	(64)	–	(109)
Transfer	–	–	–	(65)	(65)
At 31 December 2008	**97,414**	**9,764**	**29,738**	**5,981**	**142,897**
Accumulated depreciation and impairment					
At 1 January 2007	65,734	5,758	16,561	–	88,053
Depreciation charge for the year:	1,957	268	1,403	–	3,628
– Recognised in profit or loss (Note 6)	165	118	838	–	1,121
– Capitalised in construction costs (Note 22)	1,792	150	565	–	2,507
Disposals	–	–	(150)	–	(150)
Written off	–	–	(252)	–	(252)
Exchange differences	1	–	–	–	1
At 31 December 2007/1 January 2008	67,692	6,026	17,562	–	91,280
Depreciation charge for the year:	1,657	331	1,715	–	3,703
– Recognised in profit or loss (Note 6)	147	130	771	–	1,048
– Capitalised in construction costs (Note 22)	1,510	201	944	–	2,655
Disposals	–	(101)	(332)	–	(433)
Written off	(3)	–	(60)	–	(63)
Exchange differences	(19)	(16)	(34)	–	(69)
At 31 December 2008	**69,327**	**6,240**	**18,851**	**–**	**94,418**

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

Group (cont'd.)	Land and buildings* RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, vehicles and others RM'000	Capital work in progress RM'000	Total RM'000
Representing:					
Accumulated depreciation	33,461	6,240	18,851	–	58,552
Accumulated impairment	35,866	–	–	–	35,866
At 31 December 2008	**69,327**	**6,240**	**18,851**	**–**	**94,418**
Net carrying amount					
At 31 December 2008	**28,087**	**3,524**	**10,887**	**5,981**	**48,479**
At 31 December 2007	28,691	1,830	5,081	1,844	37,446

* Land and buildings of the Group comprise:

Group	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
Cost			
At 1 January 2007	56,245	35,595	91,840
Disposals	–	1,022	1,022
Written off	–	3,521	3,521
At 31 December 2007/1 January 2008	56,245	40,138	96,383
Additions	–	1,076	1,076
Written off	–	(45)	(45)
At 31 December 2008	**56,245**	**41,169**	**97,414**

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

Group (cont'd.)	Yard development RM'000	Buildings, jetties, slipways and roads RM'000	Total RM'000
Accumulated depreciation and impairment			
At 1 January 2007	46,533	19,201	65,734
Depreciation charge for the year:	877	1,080	1,957
– Recognised in profit or loss	–	165	165
– Capitalised in construction costs	877	915	1,792
Exchange differences	–	1	1
At 31 December 2007/1 January 2008	47,410	20,282	67,692
Depreciation charge for the year:	548	1,109	1,657
– Recognised in profit or loss	-	147	147
– Capitalised in construction costs	548	962	1,510
Written off	–	(3)	(3)
Exchange differences	–	(19)	(19)
At 31 December 2008	**47,958**	**21,369**	**69,327**
Representing:			
Accumulated depreciation	19,690	13,771	33,461
Accumulated impairment	28,268	7,598	35,866
At 31 December 2008	**47,958**	**21,369**	**69,327**
Net carrying amount			
At 31 December 2008	**8,287**	**19,800**	**28,087**
At 31 December 2007	8,835	19,856	28,691

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

Analysis of equipment, fittings, renovation, vehicles and others are as follows:

Group	Equipment RM'000	Office equipment, fittings, renovation, vehicles and others RM'000	Barges and motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2007	9,755	8,312	3,527	21,594
Additions	452	964	313	1,729
Disposals	–	(141)	(254)	(395)
Written off	–	(285)	–	(285)
Reclassification to plant and machinery	19	(19)	–	–
At 31 December 2007/1 January 2008	10,226	8,831	3,586	22,643
Additions	4,892	610	2,014	7,516
Disposals	(41)	(31)	(285)	(357)
Written off	–	(64)	–	(64)
At 31 December 2008	**15,077**	**9,346**	**5,315**	**29,738**
Accumulated depreciation and impairment				
At 1 January 2007	7,413	6,660	2,488	16,561
Depreciation charge for the year:	518	642	243	1,403
– Recognised in profit or loss	85	541	212	838
– Capitalised in construction costs	433	101	31	565
Disposals	–	(134)	(16)	(150)
Written off	–	(252)	–	(252)
Reclassification	5	(5)	–	–
At 31 December 2007/1 January 2008	7,936	6,911	2,715	17,562
Depreciation charge for the year:	705	702	308	1,715
– Recognised in profit or loss	84	505	182	771
– Capitalised in construction costs	621	197	126	944
Disposals	(41)	(6)	(285)	(332)
Written off	–	(60)	–	(60)
Exchange differences	–	(27)	(7)	(34)
At 31 December 2008	**8,600**	**7,520**	**2,731**	**18,851**
Net carrying amount				
At 31 December 2008	**6,477**	**1,826**	**2,584**	**10,887**
At 31 December 2007	2,290	1,920	871	5,081

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

Company	Motor vehicles RM'000
Cost	
At 1 January 2007	208
Written off	(208)
At 31 December 2007/31 December 2008	–
Accumulated depreciation and impairment	
At 1 January 2007	208
Written off	(208)
At 31 December 2007/31 December 2008	–
Net carrying amount	
At 31 December 2007/31 December 2008	–

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM14.8 million (2007: RM4.49 million) of which RM140,000 (2007: RM180,000) was acquired by means of hire purchase.

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

	Group	
	2008 RM'000	2007 RM'000
Barges and motor vehicles	**281**	350

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 31.

(c) Included in the building, jetties, slipway and roads are certain properties with net book value of Ghanaian Cedi 1,829,920 equivalent to RM6,963,846 (2007: Ghanaian Cedi 1,866,269 equivalent to RM7,076,682) acquired from the Divestiture Implementation Committee ("DIC") under a sale and purchase agreement dated 8 November 1996. Title to these said properties remain to be perfected by the subsidiary at the balance sheet date. Full payment of the unpaid balance of share capital in the subsidiary has been made to DIC in the previous financial year.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	2007
	RM'000	RM'000
At 1 January	**12,562**	12,743
Amortisation charge for the year (Note 6)	**(181)**	(181)
At 31 December	**12,381**	12,562
Analysed as:		
Long term leasehold land	**12,381**	12,562

The lease payments are in respect of long term reclaimed land and long term leasehold land. Some of the leases payment were revalued by the directors in 1991 and 1997 respectively, based on valuation carried out by independent professional valuers based on existing use basis and has not been revalued since. The Group has engaged a firm of professionals to carry out a review of the recoverable amount of its property, plant and equipment during the previous financial year in relation to the Group's restructuring exercise in the financial year ended 31 December 2006.

16. INVESTMENT PROPERTIES

	Group	
	2008	2007
	RM'000	RM'000
At 1 January	**6,500**	6,500
Reclassification as held for sale (Note 24)	**(6,500)**	–
At 31 December	**–**	6,500

Investment properties comprise of freehold land and building stated at valuation based on independent professional valuations carried out on open market basis.

The investment properties were pledged for banking facilities granted to a former corporate shareholder. During the financial year, the investment properties were reclassified to non-current assets held for sale as an order for sale had been issued for the default in the banking facilities granted.

17. INVESTMENTS IN SUBSIDIARIES

	Company 2008 RM'000	Company 2007 RM'000
Unquoted shares, at cost	**461,867**	461,867
Less: Accumulated impairment losses	**(293,182)**	(293,182)
At 31 December	**168,685**	168,685

The cost of shares in a subsidiary of RM3.1 million (2007: RM3.1 million) is pledged to financial institutions for banking facilities granted to a formal corporate shareholder.

Details of the subsidiaries, all of which were incorporated in Malaysia unless otherwise stated, are as follows:

Name of subsidiaries	Proportion of ownership interest 2008 %	Proportion of ownership interest 2007 %	Principal activities
BHIC Asset Holdings Sdn. Bhd. ("BHIC Asset")	**100**	100	Ceased operations.
Boustead Penang Shipyard Sdn. Bhd. ("BP Shipyard")	**100**	100	Heavy engineering, ship repair and shipbuilding, fabrication of steel structures and platforms, marine engineering, oil and gas fabrication, hook up and commissioning
Sedap Development Sdn. Bhd.	**100**	100	Investment property
Sedap Trading Sdn. Bhd.	**100**	100	Dormant
Eagacorp Marine Sdn. Bhd.	**51**	51	Dormant
BHIC Petroleum Sdn. Bhd.	**100**	100	Provision of engineering services for oil and gas industry
Held by BHIC Asset			
Desa BHIC Sdn. Bhd.	**100**	100	Construction and building contractor
Held by BP Shipyard			
PSC Tema Shipyard Limited (Incorporated in the Republic of Ghana) #	**60**	60	Heavy engineering, ship repair and fabrication
Dominion Defence and Industries Sdn. Bhd. ("Dominion Defence")	**100**	100	Supply and services of marine and naval defence related products
Perstim Industries Sdn. Bhd.	**99.87**	99.87	Investment holding
BHIC Defence Technologies Sdn. Bhd. ("BHIC Defence")	**100**	100	Investment holding

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of subsidiaries (cont'd.)	Proportion of ownership interest 2008 %	2007 %	Principal activities
Held by BP Shipyard (cont'd.)			
Malaysian Heavy Industry Group Sdn. Bhd.	**60**	60	Investment holding
BHIC Navaltech Sdn. Bhd. (formerly known as PSC Navaltech Sdn Bhd)	**100**	100	In-service support for the maintenance, services and supply of spare parts for vessels
UMC Engineering Sdn. Bhd.	**51.3**	51.3	Dormant
Tenaga PSC Sdn. Bhd.	**100**	100	Dormant
PSC Crane-Systems Sdn. Bhd.	**100**	100	Dormant
PSC Welding Services Sdn. Bhd. *	**100**	90	Dormant
PSC Marine and Shipping Sdn. Bhd. ("PSC Marine")	**100**	100	Dormant
PSC Shipbuilding and Engineering Sdn. Bhd.	**100**	100	Dormant
Marine Technology Industrial Park Sdn. Bhd. *	**100**	100	Dormant
PSC Marine Technology Academy Sdn. Bhd.	**100**	100	Dormant
PSC Srijeluda Sdn. Bhd. *	**100**	100	Dormant
Marine Venture Capital Sdn. Bhd.	**100**	100	Dormant
PSC Miri Sdn. Bhd.	**100**	100	Dormant
Alpha Shanghai (M) Sdn. Bhd. *	**100**	100	Dormant
Held by Dominion Defence			
Burlington Capital Sdn. Bhd.	**60**	60	Dormant
Burlington Engineering & Construction Sdn. Bhd.	**60**	60	Dormant
Burlington Promotions and Publications Sdn. Bhd.	**100**	100	Dormant
Burlington Plantations Sdn. Bhd.	**100**	100	Dormant

17. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Name of subsidiaries (cont'd.)	Proportion of ownership interest 2008 %	2007 %	Principal activities
Held by BHIC Defence			
BHIC Defence Techservices Sdn. Bhd. (formerly known as Aeromarine Maintenance Services Sdn. Bhd.)	**100**	100	Provision for maintenance and services for arsenal, missiles and other defence related products
Atlas Defence Technology Sdn. Bhd.	**70**	70	Supply of electronics and system technology to defence related industry
BHIC Bofors Asia Sdn. Bhd.	**51**	51	Providing, supplying and servicing BOFORS weapons systems
Naval Defence and Communication System Sdn. Bhd.	**100**	100	Provision for maintenance and services for telecommunication systems
BHIC Electronics and Technologies Sdn. Bhd. (formerly known as C3I Systems Sdn. Bhd.)	**100**	100	Provision for maintenance and services for defence weapons and related products
Integrated Navigation and Defence Systems Sdn. Bhd.	**100**	100	Ceased operations
Held by PSC Marine			
Johor Riau Ferry Services Sdn. Bhd.	**100**	100	Dormant

Audited by firms other than Ernst & Young

* In members' voluntary liquidation

18. INVESTMENTS IN ASSOCIATES

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Unquoted shares, at cost	**54,840**	54,840	**1,250**	1,250
Cumulative share of post acquisition profits/(losses)	**55,363**	(1,260)	**–**	–
Share of current year's post acquisition profits:	**45,023**	56,623	**–**	–
Current year results	**23,838**	77,808	**–**	–
Notional tax charge	**21,185**	(21,185)	**–**	–
	155,226	110,203	**1,250**	1,250
Less : Accumulated impairment loss	**–**	–	**(1,250)**	(1,250)
At 31 December	**155,226**	110,203	**–**	–

18. INVESTMENTS IN ASSOCIATES (CONT'D.)

In prior year, the Group recognised a notional tax charge arising from utilisation of previous unrecognised tax loses by an associate. During the financial year, the associate was granted an exemption in respect of its income from a vessel construction project. Accordingly, the amount of RM21.2 million previously recognised as notional tax charged is reversed.

Details of the associates, all of which were incorporated in Malaysia unless otherwise stated, are as follows:

	Proportion of ownership interest		
	2008	2007	**Principal activities**
	%	%	
Held by the Company:			
Tohwa-Sedap Food Industry Sdn. Bhd.	**50.00**	50.00	Under liquidation
Boustead Naval Shipyard Sdn. Bhd. ("BN Shipyard")	**20.77**	20.77	Construction, repair and maintenance of Naval ships, weapons and electronics, design and engineering, fabrication of steel structures and commercial shipbuilding
Held through the associate: Subsidiaries of BN Shipyard			
Wavemaster-Langkawi Yacht Centre Sdn. Bhd.	**69.79**	69.79	Repair and maintenance of luxury boats and yacht customising and servicing facilities
BN Shiprepair Sdn. Bhd.	**100**	100	Ceased operations
BN IT Sdn. Bhd.	**100**	100	Ceased operations
Boustead Yachts Sdn. Bhd.	**100**	100	Repair and maintenance of government vessels, luxury boats and yachts, customising and servicing facilities
Asia Coins Sdn. Bhd.	**99.8**	99.8	Investment holding
Held through the subsidiary: Boustead Penang Shipyard Sdn. Bhd.:			
Penang Shipbuilding and Construction Holding (Thailand) Limited (Incorporated in Thailand)	**48.80**	48.80	Dormant

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

18. INVESTMENTS IN ASSOCIATES (CONT'D.)

The summarised financial information of the associates are as follows:

	Group	
	2008	2007
	RM'000	RM'000
Assets and liabilities		
Current assets	**585,259**	503,975
Non-current assets	**760,955**	711,407
Total assets	**1,346,214**	1,215,382
Current liabilities	**974,466**	776,494
Non-current liabilities	**407,390**	589,474
Total liabilities	**1,381,856**	1,365,968
Result		
Revenue	**883,612**	1,172,476
Profit for the year	**114,944**	385,812

19. OTHER INVESTMENTS

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**1,633**	1,633	**890**	890
Less : Accumulated impairment loss	**(1,624)**	(1,617)	**(890)**	(890)
	9	16	**–**	–
Market value of quoted shares in Malaysia	**9**	16	**–**	–

20. INVENTORIES

	Group	
	2008	2007
	RM'000	RM'000
At cost		
Consumables	**55**	42
Project inventories	**28**	129
	83	171
Net realisable value		
Consumables	**379**	531
	462	702

In the previous financial year, there was a reversal of a write-down of inventories of RM520,000. The reversal arose from an increase in net realisable value as a result of utilisation of previously written off inventories for certain projects.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables				
Third parties	**25,773**	19,853	**–**	–
Affiliates	**–**	14	**–**	–
Associates	**53,930**	4,924	**–**	–
Construction contracts:				
Due from customers on contracts (Note 22)	**32,611**	19,490	**–**	–
Retention sums (Note 22)	**1,325**	2,834	**–**	–
	113,639	47,115	**–**	–
Less: Provision for doubtful debts				
– Third parties	**(6,838)**	(5,576)	**–**	–
– Associates	**–**	(62)	**–**	–
	(6,838)	(5,638)	**–**	–
Trade receivables, net	**106,801**	41,477	**–**	–
Other receivables				
Due from related parties:				
Subsidiaries	**–**	–	**129,768**	122,322
Associates	**29**	29	**–**	–
	29	29	**129,768**	122,322
Deposits	**31,717**	871	**–**	722
Prepayments	**9,767**	9,331	**4,627**	–
Sundry receivables	**5,771**	2,848	**16**	16
	47,284	13,079	**134,411**	123,060
Less: Provision for doubtful debts				
– Subsidiaries	**–**	–	**(12,685)**	(12,685)
– Associates	**(29)**	(29)	**–**	–
– Other receivables	**(616)**	(602)	**–**	–
	(645)	(631)	**(12,685)**	(12,685)
Other receivables, net	**46,639**	12,448	**121,726**	110,375
	153,440	53,925	**121,726**	110,375

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

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days, extending up to 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.

(b) Trade receivables

Trade receivables are non-interest bearing.

(c) Amount due from related parties

The related parties balances are non-interest bearing and are repayable on demand. All related parties receivables are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 40.

Other information on financial risks of receivables are disclosed in Note 2.

22. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2008	2007
	RM'000	RM'000
Construction contract costs incurred to date	**434,847**	221,002
Attributable profit less losses	**3,872**	21,710
	438,719	242,712
Less: Progress billings	**(469,389)**	(250,646)
	(30,667)	(7,934)
Retention sums on contracts, included within trade receivables (Note 21)	**1,325**	2,834
Due from customers on contracts (Note 21)	**32,611**	19,490
Due to customers on contracts (Note 33)	**(63,278)**	(27,424)
	(30,667)	(7,934)

22. DUE FROM/(TO) CUSTOMERS ON CONTRACTS (CONT'D.)

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2008	2007
	RM'000	RM'000
Depreciation of property, plant and equipment (Note 14)	**2,655**	2,507
Operating lease:		
- minimum lease payment for plant and equipment	**2,686**	2,226
Employee benefits expense	**2,821**	1,017

Amount of contract revenue and contract costs recognised in the financial year are as follows:		
Contract revenue	**324,944**	75,545
Contract costs (Note 6)	**298,278**	48,617

23. CASH AND BANK BALANCES

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**54,477**	93,259	**–**	–
Cash on hand and at banks	**40,443**	13,454	**215**	576
	94,920	106,713	**215**	576
Less: Deposits pledged	**(1,538)**	(2,738)	**–**	–
	93,382	103,975	**215**	576

Deposits with licensed banks amounting to RM1.5 million (2007: RM2.7 million) are pledged as securities for performance guarantee facilities granted to the Group.

Other information on financial risks of cash and bank balances are disclosed in Note 2.

24. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2008	2007
	RM'000	RM'000
At 1 January	**–**	–
Reclassification from investment property (Note 16)	**6,500**	–
Write down in value	**(6,500)**	–
At 31 December	**–**	–

Non-current assets held for sale comprise of freehold land and building of a subsidiary which were stated at valuation based on independent professional valuation carried out on open market basis.

The freehold land and building was pledged as security for a banking facility granted to a former corporate shareholder. The former corporate shareholder subsequently defaulted on loan repayments and an order for a foreclosure was issued on the aforesaid property.

In accordance with FRS 5, the investment property was written down to a zero recoverable value upon its reclassification to non-current asset held for sale by way of an offset against provision for foreseeable losses made in prior years.

25. SHARE CAPITAL

	Number of shares of RM1 each		Group and Company	
	2008	2007	**2008**	2007
	'000	'000	**RM'000**	RM'000
Authorised:				
Ordinary shares of RM1 each	**500,000**	500,000	**500,000**	500,000
Issued and fully paid ordinary shares:				
As at 1 January	**248,458**	174,083	**248,458**	174,083
Capital reduction of RM0.80 per share	**–**	(139,266)	**–**	(139,266)
Issuance pursuant to debts settlement	**–**	144,008	**–**	144,008
Rights Issue 2:1	**–**	69,633	**–**	69,633
As at 31 December	**248,458**	248,458	**248,458**	248,458

During the last financial year, the Company underwent a capital reconstruction as disclosed in Note 35.

26. NON-DISTRIBUTABLE OTHER RESERVES

	Share premium RM'000	Exchange fluctuation reserve RM'000	Total RM'000
Group			
At 1 January 2007	70,243	(8,521)	61,722
Share premium cancelled	(70,243)	–	(70,243)
Foreign currency translation - Group	–	79	79
At 31 December 2007/1 January 2008	–	(8,442)	(8,442)
Foreign currency translation - Group	–	251	251
At 31 December 2008	**–**	**(8,191)**	**(8,191)**

	Share premium	
	2008 RM'000	2007 RM'000
Company		
At 1 January	**–**	70,243
Share premium cancelled	**–**	(70,243)
At 31 December	–	–

Exchange fluctuation reserve

The exchange fluctuation reserve relates to exchange differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary terms which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either functional currency of the reporting entity or the foreign operation.

27. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company may distribute dividends out of its entire retained earnings under the single tier system.

28. PROVISIONS

Group	Directors' fee RM'000	Liquidated Ascertained Damages/ Project warranty RM'000	Restructuring costs RM'000	Foreseeable loss for a freehold land and building of a subsidiary RM'000	Total RM'000
At 1 January 2007	70	148	3,606	6,500	10,324
Additional provision (Note 6)	130	148	–	–	278
Utilisation of provision	(70)	–	(3,606)	–	(3,676)
At 31 December 2007/1 January 2008	130	296	–	6,500	6,926
Additional provision (Note 6)	201	3,418	–	–	3,619
Utilisation of provision	(130)	–	–	–	(130)
Applied against non current assets held for sale (Note 24)	–	–	–	(6,500)	(6,500)
At 31 December 2008	**201**	**3,714**	**–**	**–**	**3,915**

Company	Directors' fee RM'000	Restructuring costs RM'000	Total RM'000
At 1 January 2007	70	3,606	3,676
Additional provision	130	–	130
Utilisation of provision	(70)	(3,606)	(3,676)
At 31 December 2007/1 January 2008	130	–	130
Additional provision	201	–	201
Utilisation of provision	(130)	–	(130)
At 31 December 2008	**201**	**–**	**201**

(a) Provision for liquidated ascertained damages/project warranties

The provision for liquidated ascertained damages is based on the approved contract terms and is computed on the agreed penalty charges per delay multiplied by the number of day delayed.

The project warranty provision is based on 10% of value of work orders, and is provided upon acceptance of completed work by customers. The warranty period ranges from 6 to 12 months.

(b) Restructuring costs

In prior year, a provision for restructuring cost was recognised for the expected costs associated with the restructuring of the Group's capital reconstruction and debts settlement. The provision was based on the best estimate of the direct expenditure to be incurred which was necessarily entailed by the restructuring and not associated with other activities of the Group.

28. PROVISIONS (CONT'D.)

(c) Foreseeable loss for a freehold land and building of a subsidiary

The provision was made in the previous financial year in relation to investment property of a subsidiary which was pledged to banking facilities granted to a former corporate shareholder whom subsequently defaulted on loan repayments. During the year, the provision was applied against the book value of the investment property upon its transfer to non-current assets held for sale disclosed in Note 24.

29. BORROWINGS

	Group	
	2008	2007
	RM'000	RM'000
Short term borrowings		
Secured:		
Term loans (Note 30)	–	46
Hire purchase and finance lease liabilities (Note 31)	**94**	103
Revolving credits	**5,000**	–
	5,094	149
Long term borrowings		
Secured:		
Hire purchase and finance lease liabilities (Note 31)	**187**	236
Total borrowings		
Term loans (Note 30)	**–**	46
Hire purchase and finance lease liabilities (Note 31)	**281**	339
Revolving credits	**5,000**	–
	5,281	385

The revolving credit facility granted to the Group during the financial year ended 31 December 2008 is unsecured.

Other information on financial risks of borrowings are disclosed in Note 2.

30. TERM LOANS

	Group 2008 RM'000	Group 2007 RM'000
Secured:		
Term loan	–	46
Less: Amount due within 12 months (Note 29)	–	(46)
Amount due after 12 months (Note 29)	–	–

The term loan which was repaid through 36 equal monthly installment have been fully settled during the financial year.

In the previous financial year, term loans were settled via a Restructuring Scheme as disclosed in Note 35.

Other information on the financial risks of borrowings are disclosed in Note 2.

31. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group 2008 RM'000	Group 2007 RM'000
Future minimum lease payments:		
Not later than 1 year	**105**	253
More than 1 year not later than 2 years	**87**	120
More than 2 years not later than 5 years	**115**	–
	307	373
Less: Future finance charges	**(26)**	(34)
	281	339
Analysis of present value of finance lease liabilities:		
Not later than 1 year	**94**	103
More than 1 year not later than 2 years	**79**	236
More than 2 years not later than 5 years	**108**	–
	281	339
Amount due within 12 months (Note 29)	**(94)**	(103)
Amount due after 12 months (Note 29)	**187**	236

The Group has finance leases and hire purchase contracts for various items of property, plant and equipment (Note 14(b)).

Other information on financial risks of hire purchase and finance lease liabilities are disclosed in Note 2.

32. DEFERRED TAXATION

	Group 2008 RM'000	Group 2007 RM'000
At 1 January	**(11,952)**	823
Recognised in income statement (Note 11)	**12,658**	(12,741)
Exchange differences	**(178)**	(34)
At 31 December	**528**	(11,952)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**–**	(13,000)
Deferred tax liabilities	**528**	1,048
	528	(11,952)

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Group	Unused tax losses RM'000
Deferred tax assets	
At at 1 January 2007	–
Recognised in income statement	(13,000)
At 31 December 2007/1 January 2008	(13,000)
Recognised in income statements	13,000
At 31 December 2008	–

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2007	1,042	(219)	823
Recognised in income statement	72	187	259
Exchange differences	(45)	11	(34)
At 31 December 2007/1 January 2008	1,069	(21)	1,048
Recognised in income statement	71	(413)	(342)
Exchange differences	(217)	39	(178)
At 31 December 2008	**923**	**(395)**	**528**

32. DEFERRED TAXATION (CONT'D.)

As at 31 December 2008, the estimated deferred tax assets which have not been recognised in the Group's and Company's financial statements are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Temporary differences arising from:				
– unused tax losses	**(12,888)**	(53,605)	**(118)**	(118)
– unabsorbed capital allowances	**(3,147)**	(68)	**(10)**	(10)
– others	**(768)**	(50)	**–**	–
	(16,803)	(53,723)	**(128)**	(128)

The unutilised tax losses and unabsorbed capital allowances of the Group and Company are available for offset against future taxable profits subject to guidelines issued by the tax authority.

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Trade payables				
Third parties	**31,050**	18,170	**–**	–
Affiliates	**59**	3	**–**	–
Associates	**–**	48,729	**–**	–
Construction contracts:				
Due to customers on contracts (Note 22)	**63,278**	27,424	**–**	–
	94,387	94,326	**–**	–
Other payables				
Due to related parties:				
Subsidiaries	**–**	–	**25,661**	24,244
Holding company	**2**	116	**2**	–
Related companies	**159**	40	**–**	–
Associates	**5,527**	5,978	**–**	–
	5,688	6,134	**25,663**	24,244
Accruals	**11,935**	10,457	**147**	66
Sundry payables	**9,871**	4,004	**975**	940
	27,494	20,595	**26,785**	25,250
	121,881	114,921	**26,785**	25,250

33. 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 one to three months.

(b) Due to related parties

The related parties balances are non-interest bearing and are repayable on demand. All other related parties payable are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 40.

Other information on financial risks of trade and other payables are disclosed in Note 2.

34. SUBSEQUENT EVENT

BHIC Defence Technologies Sdn. Bhd. ("BDT"), a wholly owned subsidiary of the Company had, on 23 January 2009 formed a Joint Venture ("JV") company, BYO Marine Sdn. Bhd. ("BYOM") with an issued and paid up share capital of RM100 comprising of 100 ordinary shares of RM1.00 each with Yonca-Onuk Savunma Sanayii A.S. and ML Orient Sdn. Bhd. BDT holds a 51% shareholding in BYOM.

The joint venture has no impact to the 31 December 2008 financial statements.

35. RESTRUCTURING SCHEME

On 1 December 2005, the Company announced that it was an "Affected Listed Issuer" pursuant to Practice Note 17/2001 ("PN17") of the Listing Requirements of Bursa Malaysia Securities Berhad. As an "Affected Listed Issuer", the Company was required to comply with the time schedule to regularise its financial position in compliance with PN17. In view of this, the Company announced a proposed restructuring scheme.

On 21 December 2006, the Company submitted its restructuring scheme proposal to the Securities Commission ("SC") for approval. The scheme was approved by the SC on 19 March 2007.

On 10 August 2007 the Company completed its restructuring scheme which regularised its financial position, thereby uplifting it from PN17 status.

Amongst the salient points of the Restructuring Scheme are the following:

(1) Disposal of Menara PSCI ("Disposal")

The disposal of three lots of land held under Geran No. 27123 Lot No. 1199, Geran No. 27124 Lot No. 1197 and Geran No. 27125 Lot No. 1198, Section 13, all in the Town of Georgetown, North East District, State of Pulau Pinang measuring approximately 71,817 square feet together with a building erected thereon, known as 'Menara PSCI', by BHIC Asset Holdings Sdn. Bhd. to Boustead Holdings Berhad ("BHB") for a cash consideration of RM54 million.

35. RESTRUCTURING SCHEME (CONT'D.)

(2) Capital reconstruction

The capital reconstruction involved the following:

(a) 3 ordinary shares of RM1.00 each in the issued and paid-up capital of the Company which are held by BHB were cancelled.

(b) The remaining 174,083,345 ordinary shares of RM1.00 each in the issued and paid-up capital of the Company were reduced by RM0.80 per share to become 174,083,345 ordinary shares of RM0.20 each.

(c) The 174,083,345 ordinary shares of RM0.20 each were then consolidated, such that every five (5) ordinary shares of RM0.20 each became one ordinary share fully paid up of RM1.00 each.

(d) The balance of share premium account of the Company amounting to RM70,242,785 had been cancelled.

(e) The capital reduction and share premium cancellation was applied to reduce the accumulated losses of the Company.

(3) Debts settlement to scheme creditors

(a) Debts amounting to RM539,926,530 were settled via a scheme of arrangement as follows:

- RM3,100,000 by way of a colateral set-off;
- RM392,818,923 by way of waiver by the scheme creditors; and
- RM144,007,607 settled by way of issuing 144,007,607 new ordinary shares of RM1.00 each in the Company.

(4) Rights issue

The Company undertook a renounceable rights issue of 69,633,338 new ordinary shares of RM1.00 each at an issue price of RM1.00 per Rights Share on the basis of two (2) Rights Shares for every one (1) ordinary share of RM1.00 each held after the capital reconstruction. The issue price of the Rights Shares has been fully paid upon acceptance by the entitled shareholders of the Company.

36. SEGMENTAL INFORMATION

The Group is principally engaged in heavy engineering segment within Malaysia. The other segments are not significant to be disclosed under the requirement of FRS 114 – Segment Reporting.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the use of land and buildings and equipment. These leases have an average life of between 1 to 3 years with renewal option included in the contracts.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2008 RM'000	2007 RM'000
Future minimum rentals payment:		
Not later than 1 year	**724**	422
Later than 1 year and not later than 5 years	**881**	433
	1,605	855

The lease payments recognised in profit or loss during the financial year is disclosed in Note 6.

38. CAPITAL COMMITMENTS

	Group		**Company**	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Approved but not contracted for:				
– Property, plant and equipment	**137**	–	**–**	–
Approved and contracted for:				
– Property, plant and equipment	**7,896**	8,130	**3,118**	6,500

39. CONTINGENT LIABILITIES

	Group		Company	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Unsecured:				
Corporate guarantee to financial institutions on behalf of:				
– associate	**50,000**	50,000	**50,000**	50,000
Amount under legal action	**4,000**	4,000	**–**	–
Interest claimed on the balance of unpaid capital of a foreign subsidiary	**8,897**	8,555	**–**	–
Performance guarantee to other corporation on behalf of subsidary company	**–**	–	**9,238**	–
Bank guarantee to a customer by a subsidiary company	**33,116**	–	**–**	–
	96,013	62,555	**59,238**	50,000
Secured:				
Shares of a subsidiary pledged for the banking facilities of a corporate shareholder	**9,000**	9,000	**–**	–
	105,013	71,555	**59,238**	50,000

Details on the contingent liabilities are disclosed below:

a) Corporate guarantee provided by the Company to an associate, Boustead Naval Shipyard Sdn. Bhd. ("BN Shipyard"), for banking facilities provided by Bank Pembangunan (M) Berhad amounting to RM50 million.

b) On 28 September 2006, the Company was served a Writ of Summon by Messrs. Thanggaya & Co for outstanding professional fees of RM4 million. As at 31 December 2008, the plaintiff had filed an appeal for a summary judgement of which the court has fixed for mention on 13 April 2009 pending exchange of affidavits.

c) Interest claimed by Divestiture Implementation Committee ("DIC"), a Ghanaian statutory body, in respect of the delay in settlement of shares acquired in a foreign subsidiary, PSC Tema Shipyard Ltd ("PSC Tema"). In 2007, the Company fully settled the cost of the acquisition in PSC Tema. An appeal was made to the Ghanaian authorities on the penalty but no replies have been received to date.

d) Bank guarantee to a customer by subsidiary company Boustead Penang Shipyard Sdn. Bhd. ("BP Shipyard") to a customer for the assignment of a contract. This facility is secured against:-

   i) Assignment of contract proceeds from customer;

   ii) First legal charge over BP Shipyard's escrow account.

e) Shares of a subsidiary company being pledged by a former corporate shareholder for bank borrowings amounting to RM9 million.

f) On 30 June 2008, BN Shipyard was served with a Writ of Summons by Meridien Shore Sdn Bhd ("MSSB"). MSSB is claiming against BN Shipyard for specific damages in the amount of RM49,577,510.10 plus interest at 8% per annum on the said amount of RM49,577,510.10, general damages, cost and other relief that the Court would deem fit over alleged losses suffered by MSSB arising from foreclosure of several of its lands in Johor ("Lands") by Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat").

39. CONTINGENT LIABILITIES (CONT'D.)

Details on the contingent liabilities are disclosed below (cont'd.):

f) MSSB alleged that it had created third party charges over the Lands as a form of security for a financing facility granted by Bank Rakyat to BN Shipyard for the sum of RM15 million. It was also alleged by MSSB that Bank Rakyat foreclosed and auctioned off the Lands because BN Shipyard had defaulted on its repayment obligations to Bank Rakyat.

As at 31 December 2008, Bank Rakyat successfully auctioned those properties to settle the outstanding balance due from BN Shipyard. This has resulted in a settlement of loan amounting to RM15.4 million through the proceeds from sale of third parties' pledged properties which was recognised in the financial statements and the banks are discharging all the security documents.

On 22 July 2008, BN Shipyard filed a defence against MSSB's claim. BN Shipyard also filed a counterclaim for general damages, interest on damages awarded, cost of action borne by MSSB on full indemnity basis and other relief that the courts deems fit and proper to grant over loss and damages suffered by BN Shipyard arising from MSSB failure to repay the sum owed of RM14.9 million. On 29 August 2008, MSSB has filed defence to BN Shipyard's counterclaim. MSSB has yet to file the Notice for Pre-Trial Case Management.

Based on the solicitor's confirmation, the solicitors are of the opinion that BN Shipyard has good defence and counterclaim against MSSB.

40. RELATED PARTY DISCLOSURES

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

	Group		**Company**	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Sales of goods/Rendering of services				
Associate companies	**211,528**	60,594	**–**	–
Subsidiaries	**–**	–	**–**	71
Immediate holding company	**100**	445	**–**	445
Purchases of goods/Rendering of services				
Immediate holding company	**138**	131	**30**	65
Related companies	**3,101**	1,955	**–**	–
Associate companies	**1,240**	1,687	**–**	–
Professional fees paid to firm connected to a Director of the Company	**29**	112	**29**	34

The directors are of the opinion that the above transactions are 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 2008 are disclosed in Notes 21 and 33.

40. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

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

	Group		Company	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Wages and salaries	**3,782**	1,454	**–**	–
Social security contribution	**–**	–	**–**	–
Defined contribution plan	**443**	147	**–**	–
Others	**356**	554	**229**	149
	4,581	2,155	**229**	149
Included in the total key management personnel are:				
Directors' remuneration (Note 8)	**422**	192	**229**	149

40. COMPARATIVES

The following comparative figures have been reclassified to conform with the current year's presentation.

Consolidated balance sheets as at 31 December 2008	**As previously stated RM'000**	**Group reclassification RM'000**	**As restated RM'000**
Current liabilities			
Provisions	6,796	130	6,926
Trade and other payables	115,051	(130)	114,921

Consolidated cash flow statements as at 31 December 2008	**As previously stated RM'000**	**Group reclassification RM'000**	**As restated RM'000**
Cash flows from investing activities			
Placement of fixed deposit pledge	(731)	731	–
Net cash used in investing activities	(3,462)	731	(2,731)
Net increase in cash and cash equivalent	126,120	731	126,851
Effect of foreign exchange rate changes	20	(297)	(277)

Consolidated balance sheets as at 31 December 2008	**As previously stated RM'000**	**Company reclassification RM'000**	**As restated RM'000**
Current liabilities			
Provisions	–	130	130
Trade and other payables	25,380	(130)	25,250

Analysis of Shareholdings
as at 29 January 2009

Authorised Share Capital	:	RM500,000,000
Paid-Up Share Capital	:	RM248,457,614
Class of Shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No of holders	Shareholdings (%)	No. of Shareholders	Shareholders (%)
1 – 99	651	22.20	14,948	0.01
100 – 1000	945	32.23	621,324	0.25
1,001 – 10,000	998	34.04	4,039,695	1.63
10,001 – 100,000	250	8.53	7,723,120	3.11
100,001 – 12,422,879	86	2.93	54,521,079	21.94
12,422,880 and above (5% of issued securities)	2	0.07	181,537,448	73.06
TOTAL	**2,932**	**100.00**	**248,457,614**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS

Size of Shareholdings	No of Share Direct	%	No of Share Indirect	%
Boustead Holdings Berhad	161,287,448	64.92	–	–
Lembaga Tabung Angkatan Tentera	20,250,000	8.15	161, 287,448^	64.92

DIRECTORS' SHAREHOLDING

Size of Shareholdings	No of Share Direct	%	No of Share Indirect	%
Y. Bhg. Tan Sri Dato' Che Lodin Bin Wok Kamaruddin	2,000,000	0.80	–	–
Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor	2,002,100	0.80	11,200*1	#
Datuk Azzat Bin Kamaludin	515,300	0.21	–	–
Ishak Bin Osman	10,000	#	20*2	#

Notes:-

^ - Deemed interest by virtue of its substantial shareholding in Boustead Holdings Berhad.
*1 - Deemed interest by virtue of shares held by his daughter
*2 - Deemed interest by virtue of shares held by his son
- Negligible

Analysis of Shareholdings

LIST OF THIRTY LARGEST SHAREHOLDERS

No	Name of shareholders	No. of shares	%
1	BOUSTEAD HOLDINGS BERHAD *Account Non-Trading*	161,287,448	64.92
2	LEMBAGA TABUNG ANGKATAN TENTERA	20,250,000	8.15
3	MAYBAN NOMINEES (TEMPATAN) SDN BHD *Mayban Trustees Berhad for Public Aggressive Growth Fund (N14011940110)*	3,009,000	1.21
4	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD *Public South-East Asia Select Fund*	2,951,000	1.19
5	RHB NOMINEES (TEMPATAN) SDN BHD *Telekom Malaysia Berhad*	2,777,479	1.12
6	HLB NOMINEES (ASING) SDN BHD *Pledged Securities Account for Eng Hueng Fook Henry (SIN 10026-2)*	2,324,400	0.94
7	MAYBAN NOMINEES (TEMPATAN) SDN BHD *Mayban Trustees Berhad for Public Balanced Fund (N14011950210)*	2,169,000	0.87
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Lean Meng Seong (8029269)*	2,164,500	0.87
9	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD *Public Smallcap Fund*	2,133,700	0.86
10	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD *Public Islamic Sector Select Fund*	2,033,000	0.82
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Che Lodin Bin Wok KamaruddIn (8029271)*	2,000,000	0.80
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Peramjeet Singh A/L Gian Singh (8029243)*	2,000,000	0.80
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Ahmad Ramli Bin Mohd Nor (8029256)*	2,000,000	0.80
14	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD *Public Far-East Select Fund*	1,752,400	0.71
15	AIBB NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Tan Han Chong*	1,702,000	0.69
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Noor Azman @ Noor Hizam B Mohd Nurdin (8037673)*	1,226,900	0.49

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D.)

No	Name of shareholders	No. of shares	%
17	MAYBAN NOMINEES (TEMPATAN) SDN BHD *Mayban Trustees Berhad for PB Asean Dividend Fund (270334)*	1,117,600	0.45
18	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD *Public Sector Select Fund*	1,034,000	0.42
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *Exempt An for Merrill Lynch Pierce Fenner & Smith Incorporated (Local Resident)*	950,000	0.38
20	B & A FAMILY HOLDINGS SDN BHD	900,000	0.36
21	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD *Affin Islamic Equity Fund*	766,800	0.31
22	AMSEC NOMINEES (TEMPATAN) SDN BHD *Amtrustee Berhad for HLG Penny Stock Fund (UT-HLG-PSF)*	737,900	0.30
23	TA NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Chow Kwai Ping*	716,000	0.29
24	CARTABAN NOMINEES (ASING) SDN BHD *UBOC Global Custody for Acadia N Emerging Markets Portfolio*	702,900	0.28
25	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Norazlan Bin Mohamad Nordin (CEB)*	700,000	0.28
26	LAI YOON KEE	696,400	0.28
27	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Norazmi Bin Mohamed Nurdin (8038654)*	691,900	0.28
28	AZZAT BIN KAMALUDIN	515,300	0.21
29	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD *PB Balanced Fund*	481,400	0.19
30	TA NOMINEES (TEMPATAN) SDN BHD *Pledged Securities Account for Oh Kim Sun*	480,400	0.19
	Total	**222,271,427**	**89.46**

List of Properties

Held By BHIC Group

Location	Description	Areas	Tenure	Age	Net book value RM'000
BOUSTEAD PENANG SHIPYARD SDN BHD					
Pajakan Negeri No. 649 Lot No 3222 Mukim 13 Daerah Timur Laut Pulau Pinang	Shipyard	20.21 acres	Leasehold expiring on 24/01/2072	37 years	30,049
HSD 6981 Lot 9777 Mukim 13 Daerah Timur Laut Pulau Pinang	Reclaimed land for the extension of the area of the shipyard	19.00 acres	Leasehold expiring on 24/01/2072	37 years	1,703
HSD 124733 Lot No PT15804 Mukim Tanjung Tualang Daerah Kinta Perak	Malaysia Army Equipment & Vehicle Testing Site	135.00 acres	Leasehold expiring on 9/9/2102	7 years	1,725
HS(D) 16204 ,PT8711 Mukim Lumut Daerah Manjung Perak	Marine Industry Land	307,560 sq. m	Leasehold expiring on 18/10/2099	8 years	–
SEDAP DEVELOPMENT SDN BHD					
Geran 16228,16312 to 16326,16780 Lot Nos. 142 to 146, 148 to 151, 182, 183, 186, 187, 327, 328, 334 and 427 Town Area XIX (19), District of Melaka Tengah Melaka	Vacant land with buildings on site which are constructed and occupied by tenants	11,018.03 sq. m	Freehold	11 years	–

Proxy Form

BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD
(11106-V)
(Incorporated in Malaysia)

NO. OF SHARES	

I/We ____
(Full Name in Capital Letters)

of ____
(Full Address)

being (a) member(s) of **BOUSTEAD HEAVY INDUSTRIES CORPORATION BERHAD**

hereby appoint ____
(Full Name in Capital Letters)

of ____
(Full Address)

or failing him/her ____
(Full Name in Capital Letters)

of ____
(Full Address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for my/our behalf at the Thirty-Seventh Annual General Meeting of the Company to be held at 4th Floor, Menara Boustead, Jalan Raja Chulan, 50200 Kuala Lumpur on Tuesday, 31 March 2009 at 10.00 a.m and at any adjournment thereof.

		For	Against
Ordinary Resolution 1	To receive the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of Directors and Auditors thereon.		
Ordinary Resolution 2	To approve the payment of Directors' Fees.		
Ordinary Resolution 3	To approve a final dividend for the year ended 31 December 2008.		
Ordinary Resolution 4	To re-elect Encik Abd Malik bin A Rahman.		
Ordinary Resolution 5	To re-elect Y. Bhg. Datuk Azzat bin Kamaludin.		
Ordinary Resolution 6	To re-elect Encik Ishak bin Osman.		
Ordinary Resolution 7	To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to determine their remuneration.		
Ordinary Resolution 8	Authority to Issue Shares.		
Ordinary Resolution 9	Renewal of Shareholders' Mandata for Recurrent Related Party Transactions.		

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

Dated this ______ day of ____________________ 2009

____
Signature of Shareholder or Common Seal

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints more than (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholding to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint one (1) but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, If the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 17th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight hours before the time appointed for holding the meeting.

Fold Here

Fold Here

STAMP

The Company Secretary
Boustead Heavy Industries Corporation Berhad
17th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur